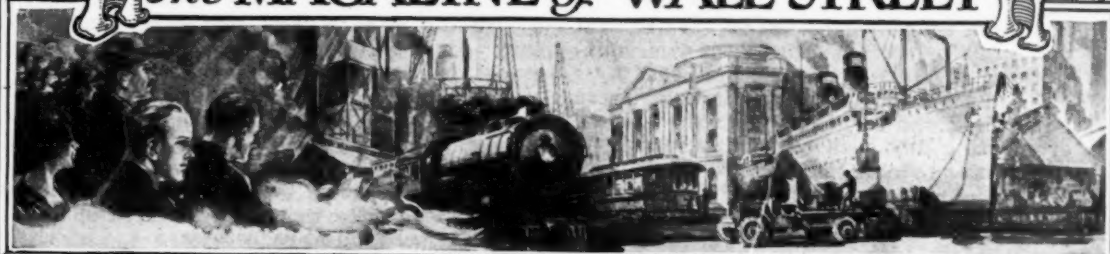
The MAGAZINE of WALL STREET



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THE OUTLOOK

Is Railroad Consolidation Desirable? — Disturbing Government Statistics—Political Interference With Business—More About Taxes—The Market Prospect

AS the hearings before the Interstate Commerce Commission relative to railroad consolidations go further and further, it becomes more and more evident that the subject has not thus far been thoroughly considered. It has been comparatively easy for the practical railroad men who have testified, to find points of criticism or error in the plans put forward by the economists who originally drafted the scheme for the Interstate Commerce Commission.

Most of these complaints have undoubtedly been well-founded. It is always possible to urge difficulties of technique and detail which stand in the way of the successful application of any broad general scheme. Whether very much attention should be given to such technical difficulties is another matter. If the general object in view is worthy of effort to accomplish it, ought not the mere incidents which follow from the attempt to introduce a new régime to be ignored or reduced to a merely minimum significance? Unquestionably, a reading of the testimony which has been offered before the Interstate Commerce Commission leaves the impression that very many of the objections that have been raised are of a nature which could be overcome if the main object in view should be deemed essential.

Behind the whole question of detail and of planning in this matter, lies the problem whether there is, after all, any good and sufficient reason for the consolidation proposed. It has been strongly argued for years past that such consolidations would permit the introduction of far-reaching economies, the establishment of more harmonious and self-consistent rates, and the transfer of the burden of sundry weak or doubtful railroads to the shoulders of the abler and better-managed lines. As to all these questions, it is entirely fair to register some doubt. "Economies" derived from large-scale operation are very often offset and completely neutralized by losses or lack of economy incident to such changes.

As for the harmonious rate structure which might be built up under consolidation, it is difficult to see why the Interstate Commerce Commission should not develop such a structure on its own initiative, since it now has ample powers to accomplish anything that it chooses. Instead, it has apparently been indisposed to exercise its functions in that regard, and has chosen to wait for rate inequalities to "iron themselves out" by the slow process of competition and of attrition.

The third argument, namely, the transference of the burden of weak roads to strong ones, may very properly be regarded as of the most doubtful character. Just how such transfers could be effected is not yet clear, but even if they could be effected without injustice, the alleged benefits to come to the weaker roads would almost certainly be fully offset by corresponding harm to the stronger ones which had to take them over. The strong roads cannot be expected to make something out of nothing.

Possibly the greatest argument in favor of consolidation is the fact that the rank and file of the public, at least in certain sections, fully expects that consolidation will take place, and that it will be beneficial. If railroad managers respond to this expectation with merely negative arguments, and without offering any constructive suggestions, the result may be more than disappointing to the average man. It is highly desirable that railroad presidents should show some disposition or ability to experiment with reforms that are considered vital by the rank

and file of the public, if they expect that that public shall show appreciation of their difficulties and general operating problems.

From the standpoint of the investor there is much ground for doubt as to the wisdom of effecting any such consolidations. It is more than probable that the process of combining the roads would result in speculative changes of value which might bring profit to some, but in so doing would ultimately be almost certain to inflict loss upon others.

Eventually, the value of the securities in the merged or consolidated roads could not be greater than real value of the property represented, and there is no reason to believe that the owners of present securities would be able in the long run to better themselves. The chances are that, in one way or another, they would lose ground before the final adjustment had taken place. With the speculative shifts of value that would almost certainly occur, the outcome would be injurious to many if not most of those who were obliged to give up their present holdings.

DISTURBING GOVERNMENT STATISTICS

As the season advances, the urgent question in the commodity markets is naturally whether the Government's figures for crop yield can be relied on, or whether the same errors that have vitiated them for so long must be regarded as still in effect. During the past week or two, a seriously disturbing error in our cotton report system has caused some annoyance and anxiety. This has been found in the development of a wide discrepancy in connection with the "carry-over" of cotton, the Department of Agriculture and the Department of Commerce being about 2,000,000 bales apart on the subject.

Naturally, the cotton market is inclined to discredit both sets of statistics, on the ground that neither is well founded, and yet this seems to leave traders without any authoritative reliance in the way of information. Accordingly, strong demand is making itself felt for a thorough revision of the Government's cotton estimates in all departments, with a view to making plain to the public exactly what the basis for the figures put into circulation may be. Cotton reports have been particularly bad during the past two years, and the time has unquestionably come to rectify them in the interest of honest trading.

POLITICAL INTERFERENCE

Business, however, is not in a condition to endure constant annoyance and interference of an unnecessary sort originating with selfish politicians or with those who have axes they wish to grind by making attacks upon capital or ownership. During the past week, the much-discussed "conference" of the radical bloc has occurred in Chicago. Speeches there have indicated the continued maintenance of the old notion of "revalueing the railroads," or in other words, repudiating a part of their value, as represented by securities, in order to get a basis for fixing rates which shall permit of substantial reductions.

Thus far the talk is merely talk, although uttered by not a few menacing individuals and by some of a more grotesque talk as illustrated by Mayor Hylan of New York City. But enough has been said to have it appear likely that the agitation now in progress will become more serious after the reassembling of Congress, at which time many schemes of "reform" are expected to make their appearance once more.

So long as this radical bloc is acting in its furtherance and advocacy of schemes of one sort or another for the repudiation of securities values, it is unfair to expect the investor to apply his funds much more largely to the development of railroads or of any other properties. On the contrary, it may reasonably be anticipated that the investor's instinct will carry him toward the idea of withdrawal from properties that are subject to attacks of this sort; with the result that, eventually, further expansion of railroad mileage will be all but impossible. It is today definitely suspended, pending the working out of the political situation, and this condition may be expected to continue until there has been a much clearer definition of Federal policy with regard to the treatment of the carriers.

THREATENING NEW TAXES

Hardly less to be objected to is the constant agitation of new schemes of taxation which must necessarily prove disturbing to those whose business is likely to be affected by them. As the plans of taxation which are now to the front include, as an important element, the "sales tax" or the "turnover tax," which would be common in its burden to nearly all types of business, it is easy to see why the average man should feel anxious and annoyed upon learning of the renewed exploitation of such a subject.

The so-called farm newspapers or farm journals have taken up actively the idea of a tax aimed at "wealth" and designed to expropriate the owners of large fortunes or incomes. Some conservative legislators evidently expect that an urgent "drive" toward the attainment of such a result will be launched as soon as Congress reassembles.

How absurd such a proposition must be

considered is realized when we remember that, according to Secretary Mellon, there is already a large surplus in sight for the fiscal year ending on June 30, owing to the unexpected productiveness of the income tax and of the tariff during the past few months as well as to the corresponding reduction of expenses along some few lines, as the result of better adjustment under the budget system. Agitation of the demand for a bonus complicates the outlook by making it seem probable, or at least possible, that new and heavy expenditures may have to be provided for in a way that would throw out of gear the existing relationship of taxation and income.

It is hardly possible that controversy about matters of so serious a nature as this should fail to have its effect upon securities values; and the result has been that they have suffered at a time when actual business conditions hardly warranted changes as considerable as those that have occurred.

A PECULIAR MONEY SITUATION

A PECULIAR money situation has undoubtedly grown out of these and other allied conditions. While the investor has been unwilling to buy good stocks and bonds freely, he has been ready to subscribe heavily for Government obligations, as is illustrated by the unusually heavy oversubscription which brought into the Treasury Department a demand for about $1,250,000,000 of Treasury 4¾% notes as against an offering of only $400,000,000.

This indicates the abundance of available investment funds in a way that is the more striking, when it is contrasted with the comparative scarcity of buying power in the securities market. The attitude of the average man has apparently been that, while he was willing to save and to purchase bonds or notes, he wanted something that would insure safety and was indisposed to take up issues that were still subject to attack.

Whether it is wise to purchase the issues of a Government which is engaged in attack, while at the same time refusing to purchase those of the enterprises existing under its régime, is a psychological and business question that has many interesting aspects. Meantime, it is certain that the Government's policy has succeeded in no small measure in unsettling what is called confidence, a condition of affairs quite as well illustrated by the oversubscription of the Treasury offering, as it is by the reluctant purchasing of corporate issues which has given rise to the recessions that are now so familiar a market factor.

The investment situation clearly calls for some definite remedy that will enable the general public to purchase with much greater assurance than they have of late been able to do. The risks of business are entirely sufficient for the average man and should not be increased by unnecessary or artificial additions.

WILL DISCOUNT RATES ADVANCE?

THE perennial question whether discount rates will be advanced or not has been further enlightened, during the past week, by the issuance of a statement on the part of the Federal Advisory Council, indicating that in the opinion of that body there is no immediate occasion for enlargement of the charge. This would leave it at 4½% if the Federal Reserve Board should accept the advice thus tendered it. That it will do so is, of course, indicated; as otherwise the Council would hardly have made public any such statement at this time.

Those in the Federal Reserve System who have favored an advance have latterly been losing ground quite rapidly, due to the fact that credit demands and volume of business were apparently over their peak and on the downward grade on the other side. The party in the Federal Reserve System which has been adverse to advances, on the ground that they would discourage speculation and business activity, is thus left more nearly in control of the field.

Conditions may easily change at any time, should the portfolios of Federal Reserve banks show material modification and a disposition to grow rapidly. There is nothing now which points to any such immediate prospect, except in those banks where seasonal requirements are of a nature to demand enlargement of the volume of credit for the time being. On the whole, therefore, the discount rate situation seems to look pretty positively toward maintenance of existing conditions without material change, except in so far as the general absorption of available bank accommodation may result in natural advances of money rates independent of the policy of the Federal Reserve System.

MARKET PROSPECT

UNCERTAINTIES in the business outlook continue to be reflected in the stock market. As a result of the sharp rally of May 23-30, the technical position of the market became greatly impaired and, at this writing, gives further indication that liquidation is in process. Until this movement is completed, we continue to advise subscribers to maintain a liquid position so as to be in a position to take advantage of opportunities in securities when they will again be attractive. Monday, June 4.

A Question of Paramount Importance to Investors and Business Men—

Who Will Be Our Next President?

What Will His Policies Be?— What Does the Public Want Most?

By Theodore Tiller

"It may seem unbelievable, but Henry Ford is the troublesome shadow that hangs over Democratic camps to-day."

THE national conventions are a year away, but politics — in Washington, at least—is getting warmer and warmer every day. Each of the old-line parties has its troubles, internal and external, and each is playing desperately today for an early advantage.

It may seem to many unbelievable, but Henry Ford, who manufactures automobiles out in Detroit, is the troublesome shadow that hangs over the Democratic camp today. Democratic leaders privately admit it when they get together. A few are bold enough to say they have been about the country since the adjournment of Congress and have found "Ford sentiment" that seems to be gradually on the increase. This is said to be particularly true in the West and South. The East has not warmed up to Ford.

While the Democratic chiefs fry to put the emergency brake on the Ford boom, Republican managers have their own troubles. It is generally assumed that President Harding is a candidate for renomination and the administration has control of the nominating machinery. Nevertheless, the President is confronted with certain recalcitrancy both on his foreign and domestic issues. The President's espousal of America's entry into the International Court of Justice has brought about a troublous situation, irrespective of such ramifications as will be supplied later by the La Follettes, Johnsons and Borahs.

The anomalous situation is presented wherein the President's course is opposed by three party chiefs who are to run the 1924 campaign for control of the White House and the Senate and House of Representatives. The three chairmen of the respective Republican campaign committees are not with the President in his fight for a world court. They are against him.

National campaigns are conducted by three major organizations and scores of subsidiaries.

The Republican National Committee is charged with the responsibility of electing a Republican President and Vice-President. John T. Adams, chairman of that committee, cannot agree with Mr. Harding on the world court and there are persistent rumors that Mr. Adams eventually will quit. Senator George H. Moses, of New Hampshire, who has just returned from Europe, is chairman of the Senatorial Compaign Committee which tries to elect a Republican Senate. Senator Moses is bitterly opposed to the world court idea.

The Republican Congressional Campaign Committee, headed by Representative Will R. Wood, of Indiana, must endeavor to retain a Republican House of Representatives. Chairman Wood is against the world court — so much so that he recently bluntly told the President it would split the Republican party should he continue to urge American participation in European affairs.

"There is a deepening impression that Senator Johnson will be an active candidate for the Republican nomination."

The fact that three campaign committee chairmen are against the administration on what may become one of the major issues of the campaign is something that furnishes a subject of steady gossip for political dopesters in Washington. No precedent is found for such a situation. Furthermore, Senator Lodge, chairman of the Foreign Relations Committee, has adopted a fifty-fifty course on the world court proposition, but is understood at heart to be against it.

The politicians eventually may make the world court a major campaign issue, but members of Congress who have been on tour since adjournment, and now have come back to Washington to drop in at political headquarters, report that the country is not yet excited over the issue. Traveling through many states, these sophisticated political observers find, as a rule, that the country is thinking along other lines. Rather than a world court, they find the average citizen and voter interested in these subjects:

Reduction of taxation.

Settlement of the transportation question, and cheaper freight rates.

Prohibition and modification of the Volstead Act.

Reduction in the present high costs of construction.

Elimination of the possibility of another coal strike and a lower price for coal.

The soldier bonus—pro and con.

Henry Ford's offer to lease Muscle Shoals and furnish cheap fertilizer to the agricultural sections.

Payment of the foreign debts due the United States.

Senators and Representatives who have been "out West" and "down East" since Congress quit report that these domestic issues are more in the public mind than the League of Nations or an International Court of Justice. President Harding is understood to have been strongly urged by certain men of his party to subordinate international issues in the next campaign and to play up national prosperity and the solution of domestic problems.

Getting back momentarily to the Democratic party and its campaign strategy, it is significant that three Democratic Senators who have recently taken swings around the circle have returned here and startled their party's headquarters by reporting a heavy ground swell for the nomination of Henry Ford by the Democratic convention. Senator Henry F. Ashurst, of Arizona, after a tour of nineteen states in the West, finds "a lively sentiment for Henry Ford." Senator Pat Harrison, of Mississippi, discovers such a sentiment both West and South. In primary campaigns for the nomination he believes Ford could carry most of the Southern states. Senator William H. King, of Utah, also chimes in with the observation that Ford will be a formidable factor at the Democratic convention — and none of these Senators is tied to the Ford boom.

"Much talk in Democratic circles centers about the prospects of nominating William G. McAdoo."

Do You Agree to This?

What Observers Believe the Public Wants Most

(As reviewed by Theodore Tiller)

Lower Taxes	*Lower Building Costs*
Cheaper Freight Rates	*Elimination of Coal Strikes*
Modified Prohibition	*Collection of Foreign Debts*
A Soldiers' Bonus	*Development of Muscle Shoals*

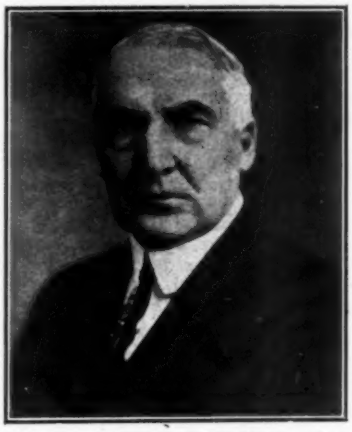
Even more remarkable is a statement by one of the Republican Senators, who declined the use of his name, but returned from a long tour of the country and said:

"As I see it the only thing that stands between Henry Ford and the White House today is the two-thirds rule in the Democratic convention. I don't think he can be nominated, but if nominated he would likely beat Harding."

This is written not as a boost for Ford, but honestly to report the talk among Democratic politicians. For instance, eight members of the executive board of the Democratic National Committee held a meeting behind closed doors in Washington a few days ago. They told the public there had been merely an informal discussion of the political situation. In reality, they talked more about Henry Ford and his mysterious boom and strength than anything else. They don't want the flivver king, but are not blind to the fact that he is strong with the farming and laboring elements and must be headed off.

Senator Ashurst reports that many folks out West are for Ford "because he beat Wall Street." They don't know just how Ford did it, but they've heard he did and the "rube" voter applauds the operation. Others say the farmers and laborers are for Ford because he promises cheaper fertilizer, pays high wages, makes money on his own railroad and coal mines and is a homespun sort of a fellow. Therefore, they say, give a business man and one-time mechanic a chance to pull the government out of a rut.

Much talk among Democrats in Washington centers about the prospects of the nomination of William G. McAdoo, who undoubtedly has a better organization now than any other Democratic candidate. McAdoo and Underwood are the runners-up in the Democratic race as it stands today. A great deal of under-surface activity is being exerted for each. There is little question that McAdoo will go into the Democratic convention with more delegates than any other candidate—but



"It is not thought in Washington that President Harding will have serious trouble about a renomination."

he will not have a two-thirds majority and there will come the tussle. McAdoo's opponents say he can never get two-thirds; that the elements against him will stick against him to the end.

Underwood opponents say the same thing about him—that the Bryanites and the "drys" will never give Underwood a two-thirds majority.

In connection with the McAdoo boom there is an inner-circle report here that Mr. McAdoo will lack the support of his father-in-law, Woodrow Wilson. Secluded in his home up on S street, the former President has said not a public word about Democratic politics, but there is basis for the understanding that he thinks David F. Houston, formerly Secretary of the Treasury in the Wilson administration, is good presidential timber. In fact, Mr. Wilson is said to have sent a close personal friend about over the country to "feel out sentiment" as it affects Mr. Houston. Mr. Houston was one of the prime favorites of Mr. Wilson and got along better with him than several of Houston's colleagues of the Cabinet.

Democrats mention as "dark horses" such figures as Senator Copeland, of New York; Governor Ralston, of Indiana, who bears a striking physical resemblance to the late Grover Cleveland; John W. Davis, of West Virginia, and Senator Carter Glass, of Virginia. Although everyone concedes that William Jennings Bryan will have quite an influence in the convention, as always, he is not seriously considered as a possibility.

And for just one reason, and that based on religion, the average Democratic politician eliminates Governor Alfred E. Smith, of New York, as a Democratic "white hope." Both geography and his remarkable performance in carrying the Empire State by such overwhelming majority last fall ordinarily would put Governor Smith at the front of all Democratic candidates.

Gossip in political circles is, however—and a note of regret runs through the gossip—that Governor Smith cannot be nominated because of his religious faith.

(Please turn to page 262)

EVEN THIS EARLY

With the party conventions still a full year away, speculation as to what men are most likely to receive the party nominations is rapidly approaching fever pitch. The close relationship between the government at Washington and the country at large, the existence of so many specific political groups, as well as the individualism of some and the radical tendencies of others of the potential candidates have all contributed toward arousing nationwide interest in the subject, even at this early date.

Theodore Tiller, well-known newspaper correspondent, discusses the probabilities and possibilities of the situation in a most entertaining style in the accompanying review.

A Bird's Eye View of Security Prospects

An Analysis of the Outlook for Railroad, Public Utility and Industrial Securities

By ORRIN GRAY

The securities markets are now in a period of hesitation which makes it advisable for prospective investors to review the market situation in general before making further commitments. In this article the writer rapidly turns the searchlight on the various types of investment securities, showing up the weak and the strong spots in turn. Readers who are interested in applying the general statements made here to specific securities should consult the Bond Buyers' Guide, the Preferred Stock Guide, and the articles on common stocks found elsewhere in this issue.

THE securities markets at the present time are in a typical transition period, where the trend is undecided and all sorts of maladjustments prevail. For instance, it is well known that normally bonds and stocks move in opposite directions; when one goes up, the other goes down. Yet for several weeks now both have been quite strong.

This situation reflects the uncertainties in the money and business outlook. There is no credit or money shortage, but it is felt that banks cannot loan much more money without having to appeal to the central reserve banks for funds by rediscounting bills, and if this process kept up very long a money scarcity would not take long to develop. Business has been so active that it has required much money to finance it, until quite recently, when there has been a pronounced lull and the strain on the banks has been lightened. If this continues, money will become easier and interest rates possibly decline, a situation that would be quite favorable for bondholders but not so good for holders of common stocks.

Signs of decreasing activity in business have been seen in price reductions in many important commodities such as iron, oil, cotton, wheat, etc.; in lower volume of wholesale trade; decreasing exports, and in the smaller volume of trading on the New York Stock Exchange itself. As a result, money is somewhat freer, and interest rates have been showing a tendency to decline gradually.

In addition, the summer is normally a time of declining activity, and in view of the super-normal activity of the first few months of this year this decline may be somewhat more marked than usual.

With this background let us examine more closely, class by class, the important types of securities available for the investor.

Bonds

The two great divisions of the bond market, the short- and the long-term bonds, behave very differently when the business situation turns. Up till a few weeks ago, money seemed to be getting tighter, and investors did not favor the high-grade long-term bonds because they were bound to decline in the event of a general rise in interest rates, as their yields must be made equivalent to prevailing money rates, and this can be done only by lowering their prices as rates go up. Short-term bonds, however, are more or less exempt from such fluctuations, as they are within a short time of redemption at par anyway. Until recently, therefore, investors have been specializing on short-term bonds so that they have been on a low-yield basis, but with little danger of decline in price. Discussing bonds by classes, we find:

(1) Railroad bonds of the higher grades have been let slide until they are now at a rather attractive level, in many cases. Should money rates turn downward, as one may reasonably expect, these bonds would be among the first to feel the effects of the changed situation, and many investors would put their money into them to get the benefits of the prevailing yields of 5½-5¾%. They therefore have a certain prospect of moderate price improvement as well as investment yield. Medium-grade and speculative railroad bonds are not so attractive, as they depend not only on the money outlook but also on the changing earnings prospects of the railroads, which in some cases are not of a nature to inspire unqualified confidence.

(2) Industrial bonds of very high grade are perhaps even more attractive than equally good railroad bonds, as their yields are in many cases slightly higher. Among the middle-grade and speculative issues there are many bargains to be obtained, if the investor is careful to choose the bonds of companies whose business is not likely to fall off sharply even if business activity recedes. In such cases, the price of the bond is governed by two compensating and conflicting factors: decreasing business activity means less demand for money, which by lowering interest rates tends to raise the price of the bond, while at the same time the lower degree of business activity means less profits for the company, which means in turn less safety in earnings from which interest is to be deducted, and so tends to depress the price of the bond, just as it would the stock.

The most profitable way therefore is to choose such bonds as will show only slight declines in earnings and consequently in security behind the bond. A well-chosen bond of this type, particular if it is of fairly long maturity, may often show quite considerable profits during a long upward swing in the bond cycle.

(3) Public utility bonds, in general, resemble in their action the railroad bonds, except that their earnings outlook at the present time seems better. Attractive investment opportunities are to be found in all classes of this group, from the very high-grade to the very speculative.

Preferred Stocks

This group occupies in many respects an intermediate position between bonds and common stocks. Like the former, their prices are influenced largely by money rates, but like the latter, they often fluctuate sharply according to the business outlook of the issuing company. To compensate for the latter, they usually yield rather more than a bond of similar relative quality.

There is an important distinction to be observed between callable and non-callable preferred stocks. When money rates are low, it is often cheaper for a corporation to borrow money to retire its preferred stocks at a given figure than to continue to pay dividends on them. As this is just the time when the prices of some of these investments are rising and the best profits are to be had, the investor who buys these stocks in anticipation of a price improvement as well as for the sake of the yield should make sure that there is no callable clause in the stock provisions which would put a definite top limit to the price of the stock. An equally good stock, but non-callable, would keep on going up beyond the callable price of the other and so make more profits for the investor. Discussing this group by classes, we find:

(1) High-grade railroad preferred stocks offer few attractions, except for some with special features such as convertible or participating clauses. Lower grades do not seem very interesting either, except for one or two special issues which have been very much undervalued by the market or have failed to follow the improvement of their common stocks.

(2) Among industrials, on the other hand, of all grades, there are a number of excellent opportunities among stocks giving relatively high yields with a fair amount of security and having a good earnings outlook in spite of possibly general business recession. It is worth noticing that in this division notable strength was shown before any improvement took place in the common stock market. **From the standpoint of the businessman-in-**

vestor who can afford to take a reasonable risk in the anticipation of a reasonable profit, this class offers perhaps the most promising opportunities of all.**

(3) Public utility preferred stocks would, of course, share in the general trend of the preferred stock market in the event of a general decline of interest rates, but generally speaking, they do not offer such attractive investments as many of the industrial group. Their prices are relatively high, in many cases, and there is little prospect of any undiscounted improvement in their earnings, from the nature of the business.

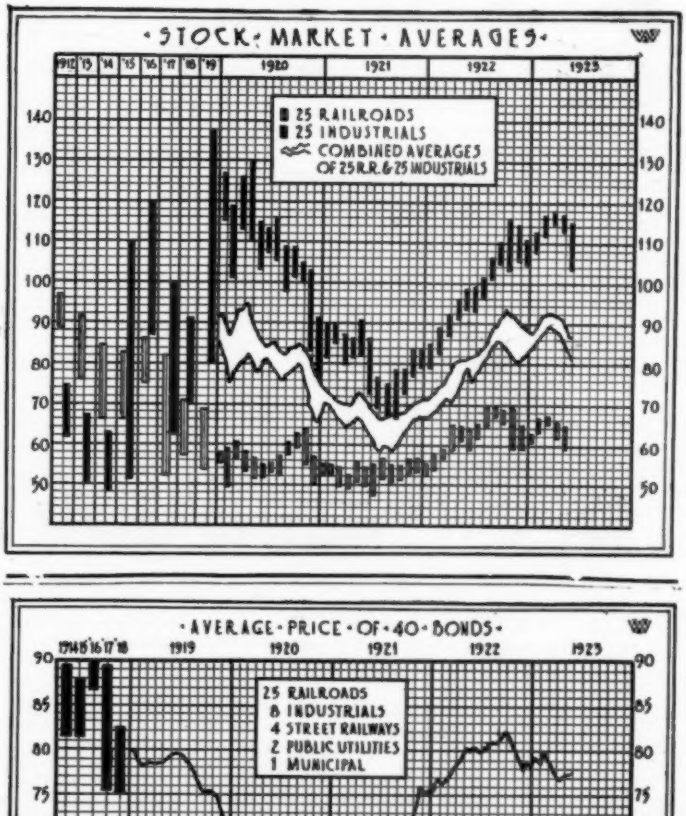
Common Stocks

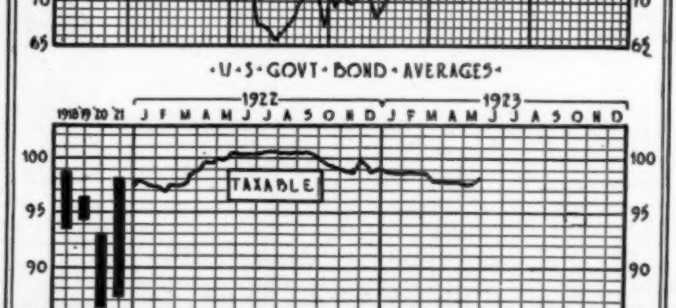
This group constitutes the most speculative of all the investment markets, and the one most closely dependent on the business situation directly rather than on money rates. Following the low point of the bear market around July, 1921, stocks turned upward in a bull move which appears to have culminated around October, 1922, and after a sharp recovery from the reaction which then set in, appear to be moving on a definitely lower plane of prices and, in accordance with the changed business situation, to be seeking equilibrium at new levels.

The general level of yields appears relatively low, because prices in many cases are based on the assumption that dividends will be increased. To what extent this assumption is justified is very difficult to predict at the present time, as it depends on the achievement of a certain balance among business requirements of money, the general state of the money market, and the maintenance of a high level of earnings. One great reason for the conservative policy of many corporations in withholding dividend increases has been the fear of a tight money market, which would render the possession of cash resources all the more important as borrowing would be expensive and difficult. The present outlook is that money will become easier, which might be expected to favor dividend increases, except for the uncertainty as to the continuance of a sufficiently high level of earnings to warrant such increases. On the other hand, it must not be forgotten that very many corporations have strongly fortified themselves with cash and liquid resources, while at the same time restricting inventories to a minimum, so that they are in a position to continue or increase dividend payments up to a very close margin of their earnings. By classes, they shape up as follows:

(1) The position of railroad common stocks, in general, is rendered very ambiguous by the uncertainty existing as to such fundamental problems as valuation, rate-making, extent of Government control, etc., raised as a result of political agitation. Should this clamor blow over and leave the stocks in the situation in which they are today, many of them would be in a position to increase their dividend rates because of their high earnings and good financial position, a step which they have hesitated to take so far because of their fear as to the possible unfavorable political results of such a move. There seems to be little speculative attraction in railroad common stocks, therefore, although some of the very highest grade, whose investment position is such that it could scarcely be shaken by any amount of manoeuvering, may prove interesting as soon as the underlying situation has cleared up to some extent.

(2) Industrial common stocks, broadly speaking, are selling so high as to be in or near the selling zone. At the same time, some of them are strongly intrenched with a sound financial position and good earnings, present and prospective, and for the investor who is willing to accept a fair risk and is in position to hold these stocks for an extended period of time in view of the long-pull possibilities of such stocks, there are attractive opportunities even now.





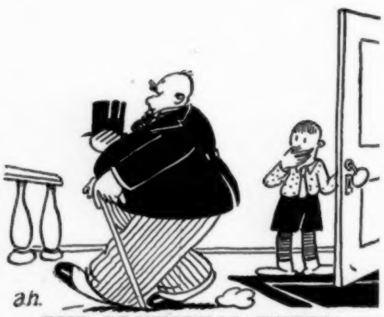
(3) Public utility common stocks may be said to be in a more favorable position now than for some time past. While not overlooking the excellent fundamental position of many of these securities, investors as a group have been somewhat shy of them because of the general feeling that a period of something resembling inflation was at hand, and the memory of how poorly these stocks had fared in the last great boom of 1919-1920. Now that the fear of inflation appears to have been definitely laid, so that there is no outlook for another recurrence of high wages and material costs with comparatively inflexible rates, the good investment position of these issues is becoming generally recognized and they are to be regarded as attractive purchases.

From these facts, the net conclusions are that it is now necessary to show the utmost discrimination in selecting securities for investment. Conditions at the present time seem to favor bonds and preferred stocks more than common stock issues, though there are a number of the latter that, in the event of a drastic decline, might be picked up to advantage. The investor's policy, however, should be to maintain as liquid a condition as possible so as to provide a backlog when bargain time comes around again. For that reason only a very limited amount of one's funds should be used in speculation.

What It Really Means to Be a *Big* Executive

Piercing Through the Universal Ignorance of the Subject Into the Very Kernel of the Job—How to Develop the Necessary Qualifications

By I. C. M. CLEARLY



THE TRIUMPHAL ENTRY
This matter of negotiating the path from outer door to inner office with just the right shade of command and redolent good humor the first thing in the morning is one of the Big Executive's chiefest problems. Properly done, it distinguishes the really Capable Executive from the lesser of his ilk.

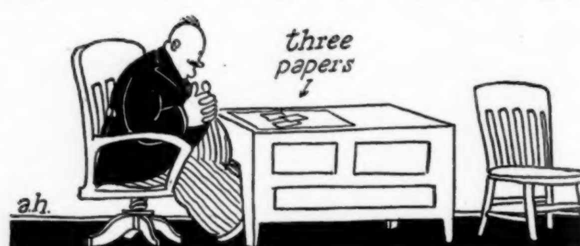
THE average American notion of the Big Business executive is a man who sits at a mahogany desk, on which is either nothing at all or else three papers, a gentleman of notable development fore and aft, girt with the Gold Chain, the Diamond Stud, and the other insignia of his rank; and the said gentleman is supposed to sit regularly at this desk, alone in a well-furnished office, radiating from 8:30 to 6 the "executive ability" which in some mysterious way makes the wheels go round.

Such ideas, and they are very widespread, show a lamentable ignorance of the actual operations of business. Merely sitting at a desk and occasionally ringing for a secretary (never by any change for a stenographer) does not make a man an executive. A real executive has a variegated and busy time of it, and, as one says when cutting a junior clerk's salary, "If you knew the sort of a 'soft snap' this job really is, you wouldn't change places with me."

Let me therefore present a sort of synoptic synthetic cynic-sympathetic diagrammatic cross-section of a typical day in an executive's life, giving due regard to the obligations and responsibilities of er—the social life, don't you know, and the er—well, the lighter side of things, so to put it.

10 A.M. Triumphal entry into the office. Energetic deposition of hat, coat and stick, inspection of the mail, forty pieces of it.

10:03—Rings for secretary. "Take care of these, Jimmy," 38 of them. Two remain on the desk—for "mature deliberation."



THE SUITABLE POSTURE FOR DELIBERATION
"Head inclined, chin resting on collar button, hands intertwined, with thumbs projecting, and resting on extreme convexity of frontal development." The profane outsider might think he was sleeping, but the initiated know that the air is positively surcharged with thought waves.

10:05—Assumes suitable posture for deliberation. Head inclined forward, chin resting on collar-button, hands intertwined, with thumbs projecting, and resting on extreme convexity of forward development mentioned above. The profane outsider might think he was sleeping, but the initiated know the air is positively surcharged with thought-waves.

10:30—Telephone—some director suggests change in policy. "Good—let us call a conference." Thereby displaying executive ability.

10:35-11:40—Conference. You know what a conference is like. Remember the last one you had in your office? Well . . .

11:43—Lady calls up. His wife. "All right, then, if you feel you must have it" . . .

The Afternoon Speech at the Chamber of Commerce

The Midday Speech at the Rotary Club

11:47—Lady calls up. Not his wife. "All right, then, if you feel you must have it" . . .

12 M. Luncheon at Rotary Club. (Executives take luncheon, never lunch.) Major (ex-) Paul D. Smith, recently returned from a business trip to Europe, describes conditions. "We must do our utmost to save Europe . . . Atmosphere of mutual distrust . . . No settlement without solution of reparations and Allied debt problems . . . Must protect American interests first . . . (Cheers) . . . We're four hundred thirty-five millions, two hundred ninety-six thousand and seven hundred forty-eight dollars, while in the preceding year . . ."

2:30 P. M.—Meeting of Chamber of Commerce. Makes speech on "Europe's Present-Day Problems."

3:30—Convention of Cigar-Band-Gold-
(*Please turn to page* 266)

ON THE WAY OUT
The Big Executive always looks for an overflowing waste-basket, or something of the kind, to direct that it be attended to. For thus he proves that his concentration on the Larger Problems of Business has not lessened his ability to cope with details.

Why We Lost Our Trade Balance

Factors Behind the Upset in Our International Position—Do We Want a "Favorable" Balance Again?—What American Commerce Needs

By MARTIN GOLDEN

MOST American business men seem to feel about developing their foreign trade much the same way as a small boy about paying a visit to the dentist. They know it is going to be a long and tedious job, which will do them a lot of good in the long run, and which will have to be done sooner or later anyway. Yet they like to put it off as long as possible, to take any excuse that comes along for delaying it.

In a period of prosperity like the one that has been prevailing since early in 1922, business men are apt to say, "Oh, what's the use of trying to sell Europe anyway? They can't buy over there the way we do here." And so they go on selling in a highly competitive market, cutting their profit margins, getting out a huge volume of sales to make a modest total profit, while all the time Opportunity knocks at their office doors fit to break the house down without so much as a "Come in, please!"

When business gets worse, however, and sales are no longer what they used to be, and the narrow margins of profit threaten to be wiped out altogether, they suddenly remember what they have heard about the streets of Rio de Janeiro being crowded with automobiles of foreign manufacture, and Calcutta business firms using American typewriters, and French farmers using American harvesters, and they set about trying to conquer the foreign market with one big spurt of energy.

Naturally the foreigner does not respond. He has not been prepared by any long campaign of advertising or circularizing along lines that are familiar to him, he finds no far-flung net of selling agencies, parts and service stations, financing arrangements, credit references, nothing of what he needs to do business with. Misunderstandings and mistakes arise when transactions have actually been completed; goods are not up to sample, packing methods are all wrong, goods have been sold to irresponsible or dishonest parties for lack of proper checking-up systems, old-established export competitors with fully-developed organizations, backed by long prestige and a record of financial cooperation in loan flotations and commercial credit extension, resent the intrusion of an aggressive newcomer and hinder him in all sorts of ways, and in general the would-be exporter finds that his increased sales are not worth the trouble they cause him.

When domestic business improves again and home buying picks up, nine times out of ten another business man is added to the list of foreign-trade skeptics, and he is only too glad to drop the whole matter and stick to his home-trade last.

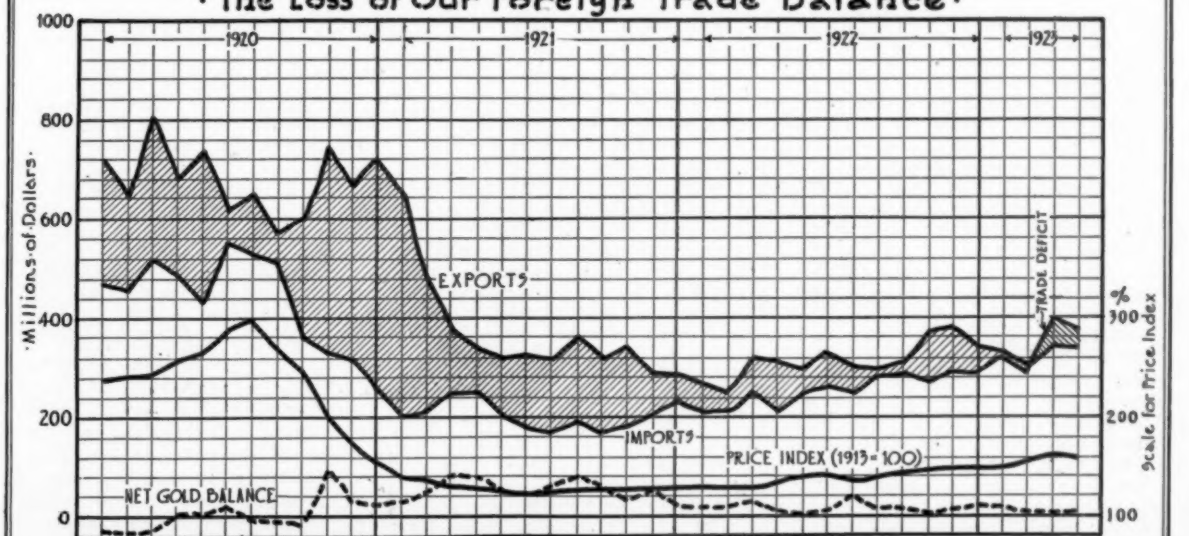
Such, in brief, has been the history of the majority of our attempts to build up a big export trade. We have gone at it by fits and spurts, with few instances of deliberate and far-seeing construction, beginning from the foundation up. These few instances, it need hardly be said, have been conspicuous successes in practically all cases. We need only cite the United States Steel Products Co., the export subsidiary of the U. S. Steel Corporation; the foreign business of the International Harvester Co., the Ford Motor Co., or the leading typewriter companies.

The reasons are easy to understand. Up to quite recently our home market was growing as fast as or faster than our industrial equipment; business leaders had enough to do to satisfy the domestic demand without seeking fresh fields and pastures new. On the other hand, there was no great push of investment capital seeking an outlet abroad and encouraging the export trade; on the contrary, we were still very much of a debtor nation, and had to pay hundreds of millions in interest and dividends to foreign holders of our securities.

These conditions have changed radically since the war. Not only have we repaid most of the capital advanced us from abroad to help us build up the country, but we have accumulated huge credit balances abroad and are creating each year fresh billions of capital looking for the most profitable place to be invested in. More than that, as a result of war-time needs and post-war prosperity we have built up our industrial equipment to a point far in excess of our normal needs, while through our immigration restrictions we have hindered the growth of the home market as it used to take place before the war, with the absorption into the American economic structure of hundreds of thousands of emigrants each year. This means that we have a huge surplus of productive capacity which can no longer find an outlet at home and must perforce seek one abroad, or else face the alternative of lying idle and eating its head off in overhead expenses.

The war created nothing new, in this respect, nothing that was not bound to happen in any case, as could have been predicted from a study of the develop-

·The Loss of Our Foreign Trade Balance·



ment of the other big industrial nations, Great Britain, Germany, Japan. In all these cases the growth of industry, at first financed from outside, brings about an increasingly torrential creation of new capital, which in turn seeks investment abroad and at the same time relieves the market of the increasing productivity of industry.

What the war did bring was enormous acceleration of this process, and a complication of the normal processes of trade with the abnormal requirements of war, and later, a further complication through the necessity of dealing with a war-ravaged Europe.

An Expectation Fulfilled

The results are shown convincingly enough in the accompanying graph. Our export trade has gone steadily down, down, down, while imports, in spite of our tariff barrier, have been moving up more or less steadily. Under the circumstances, the fact that last March, for the first time in years, ended up with an "adverse" balance of trade, is not at all surprising.

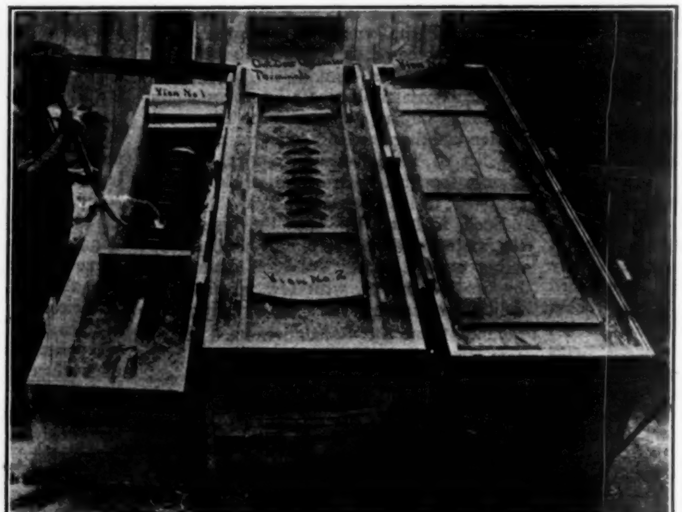
This is not necessarily something to mourn over. Some people seem to think that the fact that a country imports more than it exports is a sign of national weakness, or degeneration of the economic structure. This may be true in some cases, such as present-day Germany, where the import excess is not backed up by "invisible" exports, consisting of money that comes into the country otherwise than as exchange of commodities. Before the war England and France, particularly, consistently year in and year out imported more goods than they exported, but the difference was paid for by the country's receipts from foreign investments, from freight and insurance charges, from tourists' expenditures within the country and from remittances by nationals living abroad. The so-called balance of trade was really an index of the nation's strength, in such cases. It amounted to the same thing as an individual who spends more than he earns, because of the income from his investments. His ability to spend in excess of his earnings,, or even to live without any further earnings at all, show how strong his financial position is rather than how weak it is.

America today is in very much the same situation. Even apart from the debts that foreign Governments owe our Government, we have billions of dollars invested abroad, part of whose income comes back to us in the form of goods which we do not need to pay for by exports.

This does not lessen the need of a large export trade to dispose of our products and our newly-created capital, but it means that both exports and imports must be raised to a higher level. Once this is done, it really is of secondary importance whether our increased exports exceed or are exceeded by our increased imports. The big thing is that both of them be as high as possible.

Nor does the American business man have to fear that the increasing volume of imports will be of competing goods, which may drive him out of business in the home trade. As a matter of fact, when our imports increase, it is usually because we import raw materials which are not produced in this country in large enough quantities to speak of.

Take the tire manufacturing business, for instance. If our tire makers could build up a big export trade in Europe, for instance, they would have to import more rubber. On the national balance sheet this would look as though the increasing exports meant merely a corresponding increase in imports, leaving us no better off in the long run. As a matter of fact, however, it would mean bigger production at lower cost per unit for the tire maker, a broader and more stable market, and bigger and steadier profits.



If all manufacturers were as careful in packing their goods for export trade as the Westinghouse Electric International Co. in shipping this case of outdoor condenser terminals, complaints from foreign buyers would be much less scarce than they are today. The apparatus consists largely of porcelain and is very fragile, so in addition to packing the goods in excelsior the shipper has enclosed the whole case in an outer case as further protection.

To carry the instance a step farther, suppose now our tire maker puts part of his profits into a highway construction loan in Spain, say, to enable more traffic to circulate. Then he will not only stimulate the sale of his tires, but he will also have a sound investment for his surplus funds arising out of his bigger business.

Multiply this little sketch of international business life several thousand times over, add to it the complexities of international banking and investment, the problems of increasing production here by expanding plant equipment and adding more labor to his forces, and the result will give an idea of what a big expanding foreign trade means to this country.

This has not been the direction in which our traditional policy has moved in the past, however. While we were still engaged in developing our home industries and our home market, we worked out what Bastiat and Lea called the "American policy," an important part of which was in protecting home industries by means of a high protective tariff. This was aimed to discourage imports, and while by the same token it operated to discourage exports, nobody worried about that. Everybody was too busy building up the domestic business to attend to foreign needs, and nobody had the money to finance a big foreign trade development if it had occurred to him.

Why the Tariff Failed

When the war brought the acceleration of our tempo to a quick racing time we carried on the same ideas that had proven useful to us in our development since the Civil War. Being unwilling to increase our imports, we tried to raise a customs barrier as high as Haman, even no further back than last September.

Many people were surprised that it failed to hold back the rising tide of imports. It was perfectly natural that it should have so failed, coming at the time it did, in the heart of a well-developed business boom. It raised the level of prices in this country, and so encouraged foreign sellers to aim for the American market, the very thing it was designed to prevent. With our prices so high, the market behind the barrier kept on rising as the barrier rose, with the net result that it was no harder to sell here than it was before.

What the tariff did discourage was our exports, by putting a heavy handicap on our export industries because of these very same high prices. An American furniture manufacturer could not attempt to sell furniture made out of American-priced lumber, paint, varnish, and fittings, in competition with similar furniture made by countries whose prices are lower, other things being equal.

Another result of our refusal to accept goods as imports is that we get the equivalent of these goods as payment for our exports in gold. During the war this could not be helped, as it was the only way to finance our exports while European countries were in no shape to sell goods to us. The big gold movement which set in at the end of 1920 and which now appears to be petering out was not a result of war conditions, but of the abnormal state of international trade. Foreign countries could not sell enough to pay for the goods that they bought from

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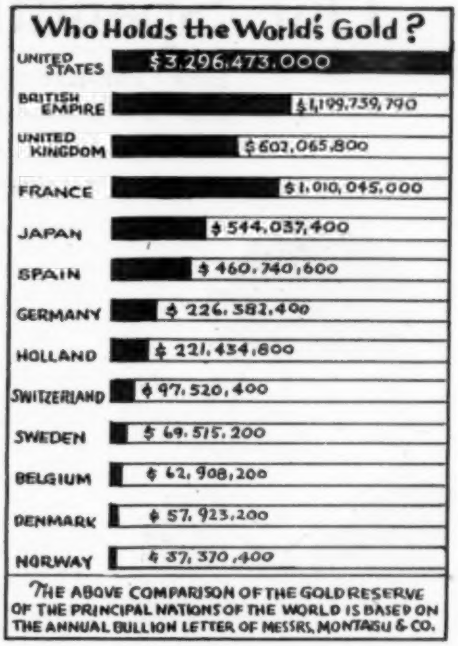
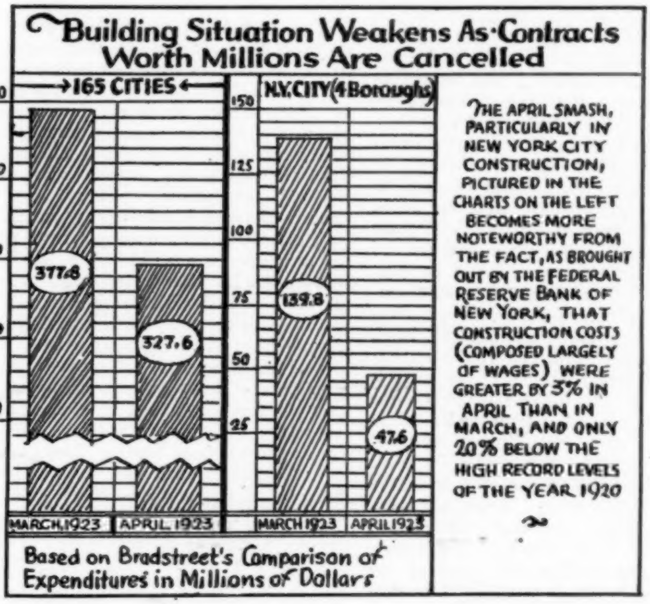
Features of Current Finance





To REBUILD AUSTRIA

NATIONS OF THE WORLD TO CO-OPERATE

Our Spendthrift Municipalities

How Tax-Exemption and Official Irresponsibility Are Undermining Public Welfare—The Colossal Piling Up of Public and Intra-Public Debts

By GEORGE M. BRANTING

THE ONLY MAN WHO PROFITS

SEVERAL years ago, a small city in the Southwest, which shall be nameless, decided through its Council, that it wouldn't be a bad idea to have its old dirty streets paved in the modern asphaltic fashion. The proposal to pave wasn't gotten through without a struggle but, once voted on, it received the endorsement of the entire community, which was proud of its city and wanted it to shine with the rest of the neighboring towns, many of whom had long since outstripped it in the matter of municipal improvements.

The first step of the City Council, which wasn't very learned in matters relating to road-building costs, was to hire an expert who had previously been called into consultation on a similar project in a nearby town. After some preliminary work, the expert told the Council that the total cost of paving the streets would amount to about $9,000 a mile or, all told, approximately $100,000 for the full job. How was the Council to know that the job could have been done for considerably less and that the expert which it had engaged drew a nice, fat retainer from a certain big producer of road-building materials? Unfortunately, as will be seen from later developments, the Council knew none of this, and, after some bickering with the road-making people, decided to accept the estimate given.

Floating the Bond

The next step was to get the funds as no such amount as that required was to be found in the city's treasury. It was found necessary, of course, to issue some bonds and arrangements were made with an investment house of good standing. The investment house, with which the arrangements were made, made it clear that its own interests were of paramount concern to the firm and demanded that the issue be for twenty years, explaining that it could not sell short-term issues to its clients.

The twenty-year idea went completely over the heads of the City Council which evidently forgot that **a municipality shouldn't issue bonds for a longer term than the life of the improvement for which the money was to be spent.** Any one experienced in such matters could have informed the Council that the paving wouldn't last more than six or seven years, and that it was unsound to issue a twenty-year bond issue on which for at least thirteen or fourteen years after the improvement had outlived its usefulness, the town would still be paying the debt. That didn't stop the Council, however, and the twenty-year term was accordingly incorporated in the bond.

The investment firm had other demands to make. Thus, it demanded an interest rate of 5½% because the credit of the city was not especially high, and a fairly large yield had to be offered if investors would buy. Finally, it demanded for itself a commission of five per cent or $5,000 on the $100,000 issue. After all these points had been considered, the Council finally accepted the terms of the investment house, as it had the terms of the road-making materials people, and the deal was concluded. A bond issue of approximately $105,000 was then issued at a cost of 5½%, the issue to run for twenty years.

The unfortunate part of it was that after the job was finished the city discovered that it had had an inferior bit of street paving put over on it, worth probably no more than fifty or sixty thousand dollars. Not long after a good-sized storm came along and demonstrated that the paving wouldn't wear. Indeed, after a few months it became apparent to all, when about half the paving rotted away. The local papers were full of the episode, but today, the city is under compulsion of considering the removal of the old paving and putting in a new brand. In the meantime, it is paying interest on $105,000 worth of bonds, which are practically a dead loss to the community. Incidentally, not a single member of the Council was returned to office at the next election.

A Common Occurrence

This sort of thing has been going on in many different sections of the country. It is claimed that over one billion dollars of municipal and state bonds were issued in 1922. These bonds are increasing at the rate of a billion dollars a year. There are outstanding about eleven billion dollars of such issues, entirely apart from Federal obligations. **Every dollar's worth of these bonds is tax-exempt!**

While the bonds are exempt from taxes, the tax-payer is *not* and that is where the rub comes in. For every dollar's worth of tax-exempt bonds that is issued, taxes with which to meet interest and sinking fund—if any—have to be raised.

And taxes interest the average citizen mightily. For no matter where you go, you will find that any body of men, taken from any walk of life, will always agree on one thing, and that is that there is something the matter with our tax system and, certainly, that taxes, in any case, are too high. Yet, when it comes to the spending of a hundred thousand or two by a struggling community for improvements which can never pay for themselves, there is rarely a protest—except possibly on the part of the small and intelligent minority.

The Tax-Exempt Bond

The tax-exempt security has probably done more harm in this country than good. It has encouraged municipal extravagance and utter wastefulness. It has helped the very wealthy to escape high income taxes; at the same time, it has increased the tax of the average citizen. Furthermore, it has increased the burden of the growing generation, for in most cases, the municipal issues floated during the past few years have from twenty to fifty years and more to run, and interest on the majority of these debts will—as in the case of the little Southwestern city—be continued to be paid long after the improve-

As a result of the war, we added many billions to the national debt. It will take generations to pay that amount off. Yet the aggregate amount of debts of our political subdivisions is rapidly approaching the amount of the total national debt, and in a few years, at the present rate, will exceed it. Those debts and their increase mean foregoing the possibility of lowering the tax rate. To the same extent, they mean the impossibility of reducing the cost of living.

ment for which they were intended, passed from even the memory of the men responsible for them.

Even old and conservative commonwealths have "got the habit." The State of Illinois, which in 1907 had no bonded debt, issued 20 millions of bonds in 1908, 60 millions in 1918 and 55 millions in 1922. The City of New York, the richest metropolis in the world, is up against the situation of not being able to provide adequate transit facilities because its debt limit has been reached. Over three hundred millions of soldier bonus bonds have been issued in the various states in the past several years. Nearly every city in the country from Newark to Los Angeles has issued bonds since the war.

The debts keep piling up—and the taxes increase proportionately!

Other Phases

Meanwhile, there are several other aspects of the situation. In the first place, since the bonds are exempt from tax, the Federal Government loses some three hundred millions of receipts annually. The Government has to make up the loss somehow. So it keeps the income tax of Mr. Average Citizen high.

There is also this to consider. A municipality can issue a bond at 4½%, tax-exempt, and, if the municipality is in reasonably good financial standing, investors can be found to buy the bonds. At the same time, a big steel company, giving employment to thousands of workers, has to pay 6% and more to get funds. A municipality can thus get funds on a low interest basis but not a big business concern. You wouldn't call that good business.

The bond of an industrial corporation is taxed but not that of a town, state, village or any other form of political subdivision. Capital is thus driven out of business, which is productive, into something which is not productive. That is not good business.

It is clear that very little is put in the way of the spendthrift municipality. If it wants a new swimming pool or court house, or wants to engage in some foolish experiment of operating its public utilities, or wants to improve its roads (at a terrific cost), or lay out a new and costly park, all it has to do is to issue tax-exempt bonds. The municipality will argue that only a comparatively low rate of interest is involved, conveniently forgetting that the bond issue will have to be paid for during a period of many years, during which the total interest payments plus the face value of the debt will finally amount to twice and more the original cost. In other words, the municipality saddles itself with a debt, many times without real justification, except that it temporarily gives politicians an opportunity to swing votes in their direction.

How are we going to pay for all this? **In twenty years, if the present rate of output of tax-exempt issues continues, the total debt of states and all political subdivisions will be upward of thirty billions of dollars.** In other words, the tax that you, Mr. Reader, will be paying will be increasing regularly at the rate f 10% a year. Obviously, a halt will have to be called. Indeed, in the opinion of many qualified observers, we are already perilously close to our limits of taxation.

Raising the Cost of Living

The burden of taxation has grown steadily during the past few years so as to make it practically impossible to lower the cost of living. Furthermore, it puts a premium on extravagance, for each year sees more of our income consumed by taxes, Federal, state, municipal—not forgetting the innumerable indirect taxes that we pay. That doesn't help the individual who wants to save. It is estimated that practically 25% of what a man earns in this country eventually is eaten up by taxes. True, he does not pay all of it directly, but he pays it just the same.

It is commonly said that we are the least heavily taxed nation among the big, important countries. That may be true so far as concerns the taxable percentage of our income which the Federal Government takes. But, when added to that is our State tax, our real-estate tax, our inheritance tax, our road tax, our poll tax, our school tax, etc., etc., the whole of it amounts to a relatively stupendous amount.

In Europe, the municipality is closely held to bounds in making improvements and issues a new bond with the greatest deliberation and economy. The result is that the European municipal debt increases very slowly. In this country, it is increasing very rapidly. So when the proper comparison is made, it is very much of a question whether, with regard to the taxes that we pay, we are better off than the European who is supposed to groan under an unbearable burden of taxation.

We have been in the habit in recent years of hoping that our cost of living would decrease. Except in some minor respects, this cannot be said to have happened. Nor can it be expected to happen, as long as we deliberately keep on increasing our fixed debt.

As a result of the war, we added many billions to the national debt. It will take generations to pay that amount off. That is generally realized. **Yet the aggregate amount of debts of our political subdivisions is rapidly approaching the amount of the total national debt, and, in a few years, at the present rate, will exceed it.** Those debts and their increase means foregoing the possibility of lowering the tax rate. And consequently means, to that extent, the impossibility of reducing the cost of living. And, to that ex-

(*Please turn to page 266*)

The MONSTER THAT THREATENS THE AMERICAN CITIZEN TO-DAY

Money, Credit and Business

Hesitation Apparent in Trade

Production Somewhat Lower — Prices Decline — Money at a Standstill — End of an Era in Foreign Trade

ANNOUNCED recessions in the output of various commodities have answered the question anxiously asked for some time past as to whether production has actually reached peak or not. Unfilled orders in the steel trade are somewhat off although the actual productive employment of the mills continues on a high level. Pig-iron output is still very large. The same is true of a number of other basic materials. Real reductions in activity have been found more generally in consumption goods such as textiles where the consumer has already begun to feel the pinch of high prices. In those cases, decline has been noted, due to the ascertainment that buying demand is not likely to hold up. This has been noticeable in the case of cottons and in some others.

Attitude of Consumer

The showing thus made is especially interesting because it seemed to give a response to the query steadily raised for some time past—whether the consumer will or will not be ready to "absorb" the higher values that have been named in a good many lines but as to which he has not yet been tested. For example, the very high costs of building necessarily mean eventual advances in rents, but there has been no opportunity thus far of testing the consumer's view on that subject. In textiles, as just stated, the advances of this past spring have not been well received and their effect has, as noted, been to reduce buying orders considerably. In consequence, reduced time at many mills has naturally been ordered, and the fair inference is that prices have probably been forced up to a top level from which they must recede, at least in some degree.

If that is true, the significance of the fact is a very large one, certainly in the case of many different branches of business. It was demonstrated that in 1920 the consumer really had the ultimate control of business conditions in his own hand and, if he chose to exercise it, was in position to produce a very powerful effect upon the volume of manufacture as well as upon other phases of the industrial situation.

Course of Prices

Prices have accordingly shown rather important consequences of this slackening of demand. The Government's wholesale index figure has remained stable during the past month. Commercial index figures show a slight tendency to reaction, as is illustrated in the accompanying diagram. Building materials have suffered from the cancellations of contracts that have taken place. Copper has fallen off as a result of the lack of foreign demand growing out of the Ruhr situation.

These and other declines are directly traceable to change of industrial and commercial conditions in connection with the production and sale of commodities. They may be expected to continue operating, so long as the price situation remains in its present sensitive relationship to consumers' demands.

More than ever perhaps at the present time, is the course of prices worth watching in the endeavor to draw conclusions as to what will probably happen in the event that demand is still insufficient to sustain rising costs and consequently higher exactions on the part of producers. Our level of prices in this country has been very much higher than that of Great Britain, and recent recessions are not more than enough to move it down again to a level slightly lower than that which has prevailed in England as is illustrated by the accompanying chart.

Change in Money Situation

Along with the change in prices of commodities, there has gone a change in the money situation which is worthy of careful attention. Due to reaction in Stock Exchange values, there has been a release of funds in the speculative market, while at the same time funds have been released from commercial use, owing to the fact that there was a lower volume of business and that accordingly it was less necessary to have large amounts of money tied up in financing commodities at high and rising prices.

Altogether, therefore, the available supply of money and credit has been relieved of some of the strain to which it had been subjected, with the result that there has been a temporary relaxation in the upward movement of rates, as shown in the chart herewith presented. This relaxation has been much more noticeable in the call market than in time funds or commercial paper, in both of which fields the tendency to change has been illustrated rather as hesitation or failure to advance than as positive decline. In very recent weeks, however, the disposition to an actual falling off has made itself manifest, with the result that a slightly lower level of charge for money is now noticeable in the business community as well as elsewhere.

Check to Decline in Bonds

The natural effect of this hesitation has been to check the decline in bonds which had already begun to show itself and to bring about a more or less stabilized condition in the bond market. This, however, is likely to prove temporary, as there is no reason to believe that the amounts of bank credit released by the slackening of demand already referred to, will be sufficient to last long. They will soon be absorbed, and when they are so absorbed conditions will go back to their former situation.

Stated from another standpoint, this is equivalent to saying that the available or "free" margin of credit is small, and that while the release of a portion of it of course always helps the situation temporarily, it does not necessarily change conditions for more than a comparatively brief period. As a result, therefore, the present slight reaction cannot be regarded as more than a transitory stage in the development. It may be sufficient to last a few weeks, provided that there is no great modification in underlying conditions.

As a matter of fact, the latest Federal Reserve figures show a nearly stable condition in the amount of bills held, while member-bank demand has slackened, and the upward movement of member portfolios continues only at a reduced rate. Cost of corporation financing is thus temporarily held at a stable level which has encouraged the offering of a few issues on the market in order to take advantage of the immediate lull in the mounting costs of accommodation. It is true, however, that any considerable increase in the current offerings would probably bring with it a prompt absorption of available investment funds, particularly as the Treasury Department has just successfully floated a large issue of new 4¾% notes which has taken a considerable amount of the available investment surplus.

Foreign Trade Doubtful

The doubtful condition of foreign trade continues, and it is now clear that the merchandise balance has turned against us, latest figures showing that in March there was an adverse balance (excess imports) of $61,000,000. This represents a condition which has not occurred for

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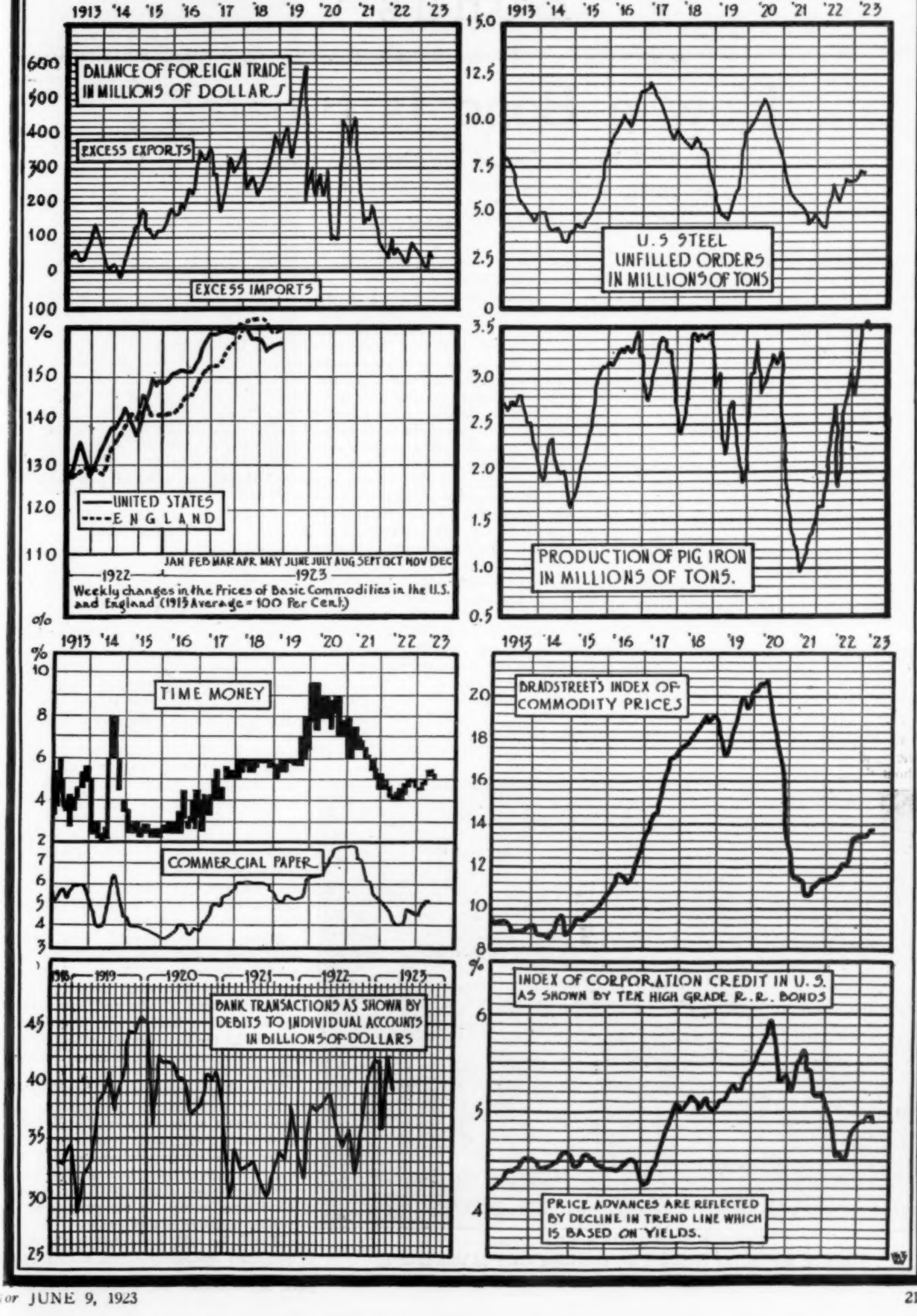
THE TREND OF MANUFACTURE, TRADE AND COMMERCE



Bonds

How a Bond Is Floated

A Brief Description of the Essential Steps in Bringing Business and Investment Together

By JAMES W. MAXWELL

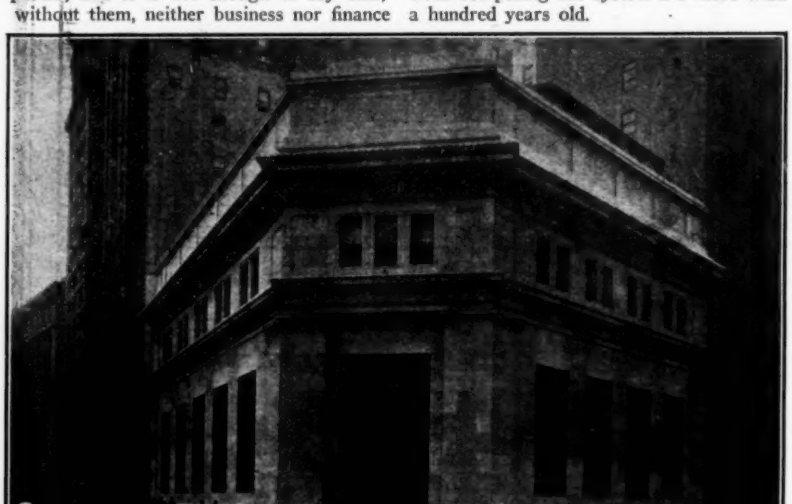
SCATTERED over the great territorial expanses of the United States there is a vast number of financial organizations, so linked up to one another, to the investing public and to business by the transportation and communication lines that exist as to resemble pumping stations in a vast arterial pipe line through which is forced to their final destination the two streams that are essential to the community's existence—gold and credit.

These financial organizations appear under very different names and, in many respects, work along entirely distinctive lines. Some are called Savings Banks, some are called Trust Companies, some are called Building & Loan Associations and, still others, Investment Bankers. But all of them may be said to contribute, in a degree, toward the same final objective, viz., the constant interchange of credit from points of oversupply to points of shortage.

The Part They Play

It is worth while to emphasize the part these individual organizations play, both in the physical entity known as business, and the social entity known as the investing public; and it is not enough to say that, without them, neither business nor finance could function. You must go farther than that. Note that they bring to business, in all of its myriad forms, money and credit which business could not otherwise obtain, for its own direct use, except at prohibitive expense. Note, too, that their co-operation supplies the impetus to develop and perfect the business structure in a degree that, under any other imaginable conditions, would be unattainable. Nor should the educational work they do be overlooked—the leading part they play in bringing the business machinery and its source of supply — the public — together. Banking pamphlets, bond circulars, "What, How and Why" literature—all the educational material compiled and sent into millions of homes day after day by these organizations has, no doubt, been a major influence in creating and developing public interest in business finance, and business interest in public finance.

Obviously, these financial institutions are not mushroom growths that have sprung up more or less hap-hazardly in a fertile soil. The system, of which they form essential parts, is, on the contrary, the product of centuries of development; and even many of the individual institutions composing the system are more than a hundred years old.



THE J. P. MORGAN BUILDING
Housing one of the foremost underwriting firms of this country

They represent, unqualifiedly, organization work of the most thorough-going character. They have borne up under the test of time, and the stress and strain of periodic emergencies, with each new epoch in their history devoted toward implanting greater efficiency in their operations toward developing and extending their scope, toward improving the character of the services they render.

Thus they stand today, imposing bulwarks of the so-called business-financial system which, in all its ramifications, composes the economic branch of the country's life.

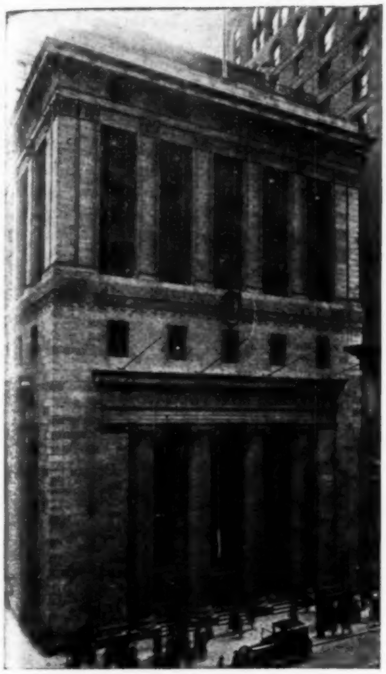
Forms of Contract

In the actual work of ferreting out opportunities in the business world for the profitable and enterprising investment of surplus funds, or of amassing in the investment world funds ample to the needs of industry—of bringing together, in other words, the business man of America and the investors of America—these organizations naturally use different instruments. In a large measure, the shorter-term accommodations which they are able to provide for industry, is offered under special forms of contract, known variously as "time loans," "call loans," "commercial paper," and so forth. In equally large measure, although under different circumstances, accommodation is supplied in return for partnership shares, or common stocks, which some of the financial organizations referred to "market" or "place" in the interests of business among their clients, who comprise the country's multitudinous investment army.

Perhaps the most popular of the strictly investment instruments utilized by these agencies, however, and the one of chiefest appeal to the individual investor, is the Industrial Bond ("industrial," that is, in the sense of a bond whose proceeds are devoted to the development of business in any of the innumerable different forms it takes).

How these organizations establish the relations with business necessary to their appointment as distributors of such industrial bonds; what their relations with the investor are in the matter; what the actual mechanical operations are by means of which they effect the flotation of a bond issue, it will be the purpose to describe, broadly, in this article.

Let it be said, first, that in the highly perfected machinery which assists in the



THE GUARANTY TRUST BUILDING

Where the Guaranty Company, another widely known house of issue, is located

work of marketing a bond issue, there are several special classes of institutions, or (as sometimes) departmental parts of institutions, each one qualified and equipped to handle a special process. In other words, although a tendency may be noted in modern times toward bringing all the steps in the whole process within the scope of individual institutions, nevertheless the whole process itself is a composition of essential parts, each one radically different from the other.

Out of the type of financial institution which engages wholly, or partially, or assists in marketing a bond issue, must first be ruled commercial banks, savings banks and trust companies, as such. These organizations do not, as integral organizations, engage wholly or partially in the business of marketing bonds, their field being a distinctive one only indirectly allied to this (although, as suggested above, financial institutions may, and often do, have trust or commercial departments and still be participants in the bond marketing field).

Also, there should be ruled out what are commonly known as "stock or bond brokers," which type of organization, although ultimately essential to a prominent branch of the bond business, is comparatively seldom a part in the actual field of bond marketing.

We are left, then, with what are called "Investment Bankers," also "Bond Houses," and it is these institutions which are the chief factors in bond financing.

And these latter institutions fall, in large measure, in three classes: First, there are the "underwriting" or wholesaling houses; secondly, there are those which have built up and operated nationwide retailing organizations; and, finally, there is the bond house which functions as a local distributor—the ultimate retailer, so to speak.

What the Underwriters Do

The "underwriting" house has two primary functions which, in the course of its particularized portion of bond financing, it is called upon or undertakes to perform. These two functions consist in (1) contracting to "take" an issue of bonds, as offered by an industrial concern, at a set figure for the lump sum, the house thus assuring the business enterprise of a market for its securities, and (2) **syndicating** the bonds so purchased through the network of banking, investment and other institutions which, as a wholesaler, it numbers among its clients. Thus, we may say that an underwriting house, in some measure, performs functions similar to those performed by a large dealer in commodities, who might contract to purchase great quantities of the same at their source with an eye to re-selling them to retail merchants for ultimate distribution to customers. Obviously, active underwriting not only calls for extensive financial capacity, but also for active and accurate contact with the "retail merchants" through whom a successful turnover of the bond issue will be made possible.

The process of **syndicating** a bond issue, once the privilege of marketing successfully, the bid in, is a branch having many ramifications. As a concrete illustration of syndicating, the writer cannot do better, perhaps, than to quote an example cited by Mr. George E. Barrett in his interesting and instructive work, "The Work of a Bond House." Says he:

"Take, for example, an issue of $1,000,000 par value of bonds which has been underwritten by a banking house doing a wholesale business. An invitation is sent to possibly fifty or more investment bankers or institutions having a bond department, located in various sections where the security might be most readily marketable. This invitation states that the party to whom it is addressed is offered an opportunity to participate in a syndicate to purchase the $1,000,000 par value of securities at a certain price, and to the extent of, say $10,000 participation, or interest in the syndicate. Some may be offered a larger interest in the syndicate. After enough invitations have been accepted so that the aggregate of the participation equals the amount to be syndicated, it is said that the syndicate has been formed.

"Thereupon selling prices and terms are arranged, which are sufficiently above the price at which the syndicate purchases the securities to allow for necessary expenses and a reasonable profit. This will vary according to the type of security to be sold. Some securities may be sold with a difference of less than one point, 1%, or $1 on $100 between the price paid by the syndicate and the price to the public. On the other hand, the difference may be 10%, or 10 points, or $10 on $100, or more, between these prices.

"Sales are then made by the various participants and reported to the house which formed the syndicate, and which is generally known as the 'manager' of the syndicate. When the entire issue has been sold and the profits calculated by the managers, the net profit is divided among the participants on the basis of their participation in the total amount originally syndicated, and not on the basis of the amount which they have sold.

"Naturally, some participants sell less and some more than the amount of their participation in the syndicate. This is generally provided for by allowing a commission to the participants on the amount they sell, and these commissions are deducted from the profits of the syndicate before the net profits are distributed, so that a participant selling more than his participation receives some fair compensation."

The foregoing describes, in broad terms, the actual mechanics of placing a bond issue which has been purchased by an underwriting house. The reader will note that the distribution of the security, **after it has been decided to distribute it,** is all that has, so far been covered. It should not, by any means, be supposed that bidding for whatever bonds come along and undertaking to distribute them among retail houses, composes the whole function of the underwriting house; however, on the contrary, there is a preliminary operation which, in the final analysis, is by far the more important of the two. This preliminary operation consists of investigating proposed bond issues, determining their merits or demerits, and weighing in the balance the question of whether or not they **deserve** to be marketed, and, incidentally, whether or not they **can** be marketed.

For those who like to cultivate an air of disillusioned cynicism—who look for a material motive behind every action a business organization takes and every policy such an organization champions—it may

(*Please turn to page* 283)

THE NATIONAL CITY BANK

Which, in the National City Company, counts as an adjunct one of our principal investment banking organizations

BOND BUYERS' GUIDE

	Apx. Price	Apx. Yield	Int. earned % on entire funded debt
HIGH GRADE (For Income Only)			
Non-Callable Bonds:			
Canadian Northern Debenture 6½s, 1946 (a)	113	5.50	*
Delaware & Hudson 7s, 1930 (b)	108	5.50	1.95
Great Northern Genl. 7s, 1936 (a)	109	6.00	3.40
New York Central Rfd. and Imp. 5s, 2013 (c)	97	5.20	1.60
Western Union Telegraph Co. 6½s, 1936 (b)	109	5.60	8.40
New York Edison Co. 6½s, 1941 (b)	‡109	5.60	5.00
Bush Terminal Buildings 5s, 1960 (a)	90	5.70	1.71
Callable Bonds:			
Armour & Co. of Del. 1st 5½s, 1943 (c)	90½	6.40	5.00
Armour & Co. Real Estate 4½s, 1939 (a)	85¼	5.90	....
Canadian General Electric deb. 6s, 1942 (a)	101	5.90	4.40
Duquesne Light Co. 6s, 1941 (b)	103	5.75	3.40
Philadelphia Company 6s, 1944 (c)	100	6.00	3.50
Short-Term Bonds:			
B. & O. Prior Lien 3½, 1925 (b)	95	6.10	0.82
B. & O., Southwest Div. 1st mtg. 3½s, 1925 (b)	93¾	6.30	0.82
Seaboard & Roanoke 1st 5s, 1926 (a)	97¾	5.80	....
Southern Pacific conv. 4s, 1929 (a)	92	5.60	2.50
Union Pacific conv. 4s, 1927 (b)	95	5.40	2.25
Dominion of Canada Internal 5½s, 1927 (d)	101¼	5.30	
Bell Telephone Company of Canada 5s, 1925 (c)	99	6.25	2.87
Aluminum Company of America 7s, 1925 (a)	103½	5.50	....
Central Leather Co. 1st 5s, 1925 (c)	99	5.50	0.91
Sinclair Crude Oil Purchasing 5½s, 1925 (a)	98	6.30	....
Columbia Gas & Electric Co. 1st 5s, 1927 (a)	96¾	6.00	4.15
MIDDLE GRADE (For Income and Profit)			
Railroads:			
Baltimore & Ohio 1st mtg. 4s, 1948 (b)	78½	5.60	0.82
Carolina, Clinchfield & Ohio 1st 5s, 1938 (c)	93	5.70	1.40
Chesapeake & Ohio conv. 5s, 1946 (b)	89	5.90	1.40
Cuba R. R. 1st 5s, 1952 (a)	83	6.20	2.45
Chicago & Eastern Illinois Gen. 5s, 1951 (c)	80	6.60	2.20
Kansas City Southern Rfd. and Imp. 5s, 1950 (a)	86	6.05	2.00
Missouri, Kansas & Texas Prior Lien 5s, 1962 (c)	78¾	6.40	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931 (a)	103	6.15	2.00
Missouri Pacific 1st and Rfd. 6s, 1949 (b)	94¼	6.40	0.90
N. O. & N. E. Rfd. and Imp. 4½s, 1952 (a)	78	6.10	2.72
St. L. & S. F. Prior Lien 4s, 1950 (a)	68	6.60	1.60
Western Pacific 1st 5s, 1946 (a)	80	6.70	2.67
Industrials:			
Anaconda Copper Mining Co. 1st 6s, 1953 (a)	97	6.25	2.25
Computing Tabulating & Recording 6s, 1941 (b)	98	6.20	5.50
Goodyear Tire & Rubber Co. 8s, 1941 (c)	117	7.10	9.50
B. F. Goodrich 1st 6½s, 1947 (b)	101½	6.40	3.65
International Mercantile Marine 6s, 1941 (b)	84	7.60	4.00
Sinclair First Lien and Col. 7s, 1937 (c)	100	7.00	3.70
South Porto Rico 1st Mtg. and Col. 7s, 1941 (b)	101	6.93	5.50
U. S. Rubber 5s, 1947 (c)	87	6.00	2.35
Virginia-Carolina Chemical 1st 7s, 1947 (c)	87	8.25	1.20
Wilson & Co. 1st 6s, 1941 (a)	99	6.10	2.10
Public Utilities:			
American Works & Elect. Corp. Col. 5s, 1934 (c)	84¾	7.00	1.80
Dominion Power & Transmission 1st 5s, 1932 (a)	90	6.50	2.37
Denver Gas & Elec. 1st and Rfd. 5s, 1951 (a)	86	6.00	3.99
Havana Elec. Ry. Light & Power 5s, 1954 (a)	84¾	6.10	4.53
Northern States Power 5s, 1941 (b)	91	5.80	1.80
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942 (a)	91	5.80	2.25
Public Service Corporation of N. J. 5s, 1959 (a)	84	6.10	1.78
Utah Power & Light 5s, 1944 (a)	89¼	5.90	1.80
United Fuel Gas 6s, 1936 (b)	95	6.60	7.10
SPECULATIVE (For Income and Profit)			
Railroads:			
Chicago Great Western 1st 4s, 1959 (a)	50½	8.40	0.60
Erie Genl. Lien 4s, 1996 (a)	45½	8.80	0.70
Chicago, Milwaukee & St. Paul conv. 5s, 2014 (c)	67	7.50	0.85
Iowa Central 1st Mtg. 5s, 1938 (a)	69	8.75	0.80
Missouri Pacific Genl. Mtg. 4s, 1975 (b)	57½	7.10	0.90
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967 (c)	53	9.60	....
St. Louis & San Francisco Adj. Mtg. 6s, 1955 (a)	73¼	8.40	2.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934 (b)	77	7.60	....
Southern Railway Genl. Mtg. 4s, 1956 (a)	68½	6.25	2.00
Western Maryland 1st Mtg. 4s, 1952 (a)	61½	7.20	0.70
Industrials:			
American Writing Paper Co. 6s, 1939 (a)	74	9.10	1.90
American Cotton Oil Co. 5s, 1931 (a)	66	11.60	....
Cuba Cane Sugar 7s, 1930 (c)	90½	8.50	1.80
Chile Copper Co. 6s, 1932 (b)	100	6.00	3.80
Public Utilities:			
Chicago Railways 1st 5s, 1927 (a)	80½	12.00	1.08
Hudson & Manhattan Rfd. 5s, 1957 (c)	80½	6.45	1.80
Interboro Rapid Transit 5s, 1966 (a)	67	7.60	1.60
Third Avenue Railway Rfd. 4s, 1960 (b)	58	7.30	1.20
Virginia Railway & Power 5s, 1934 (a)	84¼	7.10	1.90

% This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Interest on this issue was fully covered.

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50.

BOND MARKET HIGHER

Good Demand for Investment Issues

DURING the entire period of lower stock prices, the bond market held steadily, making no response whatever to the lower levels of speculative securities. The continued firmness of bond prices was based on sound fundamental conditions and, with further developments of cheer for security holders, the market became more active and high-grade issues being in demand at advancing quotations. If any evidence were needed of the strong position, it was furnished by the announcement of J. P. Morgan & Company that they would offer investors $25,000,000 of the new $130,000,000 Austrian Government Loan. Thirty days ago, such an announcement would have elicited a great deal of skepticism, but the improvement which has taken place in the investment situation and the established lower trend of money rates now warrant the announcement by the best authorities that such an offering will be made to the public. We may now anticipate further announcements of offerings which have been held in abeyance for some time waiting for a more favorable market.

Strength in Rail Issues a Feature

A feature has been the special strength in railroad securities. This has not been due to large earnings, as car loadings have been known to be at a record pace and earnings have been, for the greater part, satisfactory. There has been a feeling of uneasiness over possible political developments of an adverse nature to the transportation companies, which has had a deterrent effect on commitments in their securities, but the decision of the United States Supreme Court that public service companies, properties must be valued for rate-making purposes at the replacement values of the properies, is one which will undoubtedly have a far-reaching effect on investment and speculative sentiment. This decision is of great significance, as it is hardly possible the Court will stultify itself in rendering any future decision which it may be called upon to make in the cases of public carriers with the precedent established for public utility corporations. The fear of radical action is by this development greatly lessened and the courage of investors and speculators in railroad securities thereby increased. This has been noticeable in the market for these securities during the last few days. The speculative issues of railroad companies showing good earnings and yielding high returns are in position to especially benefit from the situation. Response has already been observed in the junior bonds of roads like the St. Louis & San Francisco, Southern Railway and Seaboard Air Line.

Public utility and industrial bonds followed the general trend, although the demand was not so active as for rail securities. The convertible issues of the oil, copper and sugar companies were stronger in response to indication of improved conditions in those industries.

Railroads

Railway Earnings Continue Large

April Gross and Net About Equal Returns of Previous Month

By ARTHUR J. NEUMARK

As forecasted by car loadings, April gross earnings showed no falling off from the previous month's high level and, as there was no increase in operating ratios, the net returns were about the same as in March. Normally, the volume of traffic in the month of April is smaller than in March, and net yields about .8% less of the year's total earnings.

The most gratifying feature was the substantial improvement in earnings of the anthracite roads, which have long been the "weak sisters" of the railroad group. They finally appear to have definitely turned the corner.

Car loadings for the first three weeks of May again broke all previous records for this period and exceeded those of any previous month of this year. On the other hand, many of the leading roads granted increases of between one and two cents an hour in wages to shopmen and trackmen, which took effect on May 1st. This will probably offset the increased volume of traffic of last month, so that the writer anticipates little change in the net results.

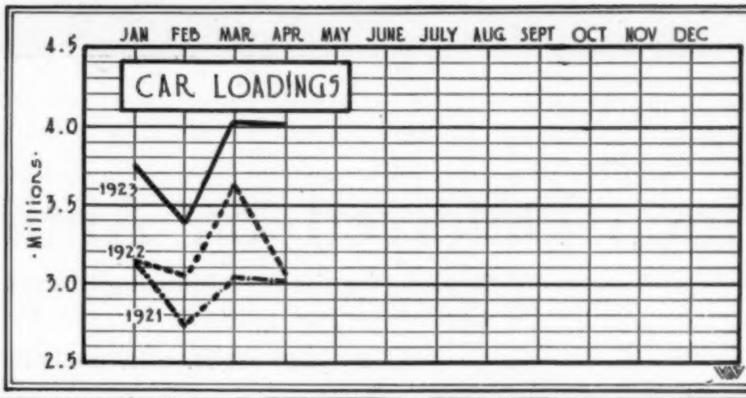
Viewing the outlook for the rails for the balance of this year, broadly, the situation seems to be decidedly attractive, with good prospects for larger earnings than ever before in the history of many of the better grade carriers.

The larger earnings being reported are, of course, being accompanied by heavy maintenance charges, being the usual practice of the carriers during a period of rising earnings. The equipment situation itself is largely improved, owing to both improvements of old equipment and receipt of new rolling stock. It is evident that the carriers will be in a better position to handle the prospective heavy traffic during the fall than has been the case during the recent years in the same period.

CLASS 1 ROADS
(000 omitted)

	Net Oper. Income	*Month's Normal Earnings to Give a 5.75% Return
April, 1922....	50,271	84,000
May	61,980	84,500
June	76,594	93,000
July	69,239	99,200
August	52,579	109,400
September	58,457	121,000
October	85,255	132,000
November	105,000	109,000
December	95,000	92,300
January, 1923...	60,874	70,600
February	38,800	56,000
March	83,568	89,700
*April	82,500	75,100

* Estimated.



ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON THE FIRST FOUR MONTHS OF 1923

The following table is compiled on the actual average of the first four months' net income to the total traffic year for the past ten years for each individual railroad, allowing for seasonal variations of traffic.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	$17.00
Atlantic Coast Line	....	....	....	10.35
Baltimore & Ohio	....	....	....	20.00
Canadian Pacific	....	....	....	7.00
Carolina, Clinch. & Ohio	....	....	....	3.20
Chesapeake & Ohio	....	....	....	15.40
Chicago & E. Ill	....	....	....	7.45
Chicago, Mil. & St. Paul	....	....	2.30	....
Chicago North Western	....	....	....	2.00
Delaware & Hudson	....	....	....	12.70
Delaware, Lackawanna & W.	....	....	....	1.80
*Erie	....	....	[9]4.00	....
Great Northern	....	....	1.80	....
Gulf, Mobile & Northern	....	....	....	2.65
Illinois Central	....	....	....	20.10
Kansas City Southern	....	....	....	7.30
Lehigh Valley	$1,091,291	....	....	....
Louisville & Nashville	....	....	....	[7]13.10
Minneapolis & St. Louis	....	70	....	....
Minn., St. Paul & St. Ste Marie	....	....	6.35	....
Missouri Pacific	....	64	....	....
New York Central	....	....	....	18.00
N. Y., Chicago & St. Louis	....	....	....	[2]7.60
N. Y., N. H. & Hartford	....	21	....	....
N. Y., Ontario & Western	349,098	....	....	....
Norfolk & Western	....	....	....	11.30
Northern Pacific	....	....	....	3.65
Pennsylvania	....	....	....	[1]7.00
Pere Marquette	....	....	....	13.00
Pittsburgh & W. Va	....	....	....	8.00
Reading	....	....	....	[6]17.00
St. Louis San Francisco	....	....	....	13.05
St. Louis Southwestern	....	....	....	11.60
Seaboard Air Line	....	....	1.25	....
Southern Pacific	....	....	....	[3]9.90
*Southern Railway	....	....	....	10.70
Texas & Pacific	....	[8]55	....	....
Toledo, St. L. & Western	....	....	....	25.00
Union Pacific	....	....	....	13.80
Virginian	....	....	....	10.85
Wabash	....	....	....	[4]4.15
Western Maryland	....	....	....	.80
Wheeling & L. Erie	....	....	[5]4.10	....

[1] $50 par value. [2] After 5% on the common stock, all classes of stock share equally. [3] Without oil income and after capital adjustments. [4] Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [5] On 7% prior preferred. [6] This includes total earnings of Philadelphia & Reading Ry., all of whose stock is owned by Reading. [7] On the basis of the increased capital stock outstanding. [8] Exclusive of interest on income bonds. [9] On 4% 1st preferred.

* For the first three months of operation.

Lehigh Valley
Reading Co.

Delaware & Hudson
Del. Lack. & Western

Hope Deferred on Anthracite Roads

Reasons for the Poor Showing of the Hard Coal Carriers — The Outlook for the Four Issues

By JOSEPH M. GOLDSMITH

PRACTICALLY the entire anthracite coal output of the United States comes from a small district in eastern Pennsylvania. The railroads, the main part of whose business consists of transporting this coal, are commonly termed the anthracite roads. Included in this group are the Delaware & Hudson, the Lackawanna, the Lehigh Valley, and the Philadelphia & Reading with its allied line the Central Railroad of New Jersey. The Erie also handles considerable hard coal, but this commodity does not comprise a sufficiently large percentage of its traffic to make its operating feature comparable with the above-mentioned roads.

Ownership of Coal Properties

The purchase of large tracts of land known to contain hard coal is characteristic of the history of everyone of these companies. Through subsidiary companies organized for the purpose they obtained control of the greater part of the Pennsylvania field. The purpose was not so much to secure a monopoly on the anthracite business, but through absolute control of the production of the lands adjacent to its line, each road assured itself of an adequate traffic. As a result of this policy the percentage of the total output which each company carried hardly varied at all from year to year.

In most cases, roads relying for approximately half their business on a single class of freight experience violent fluctuations in volume of traffic and consequently in earnings. This has not been normally true of this group. The demand for anthracite is very stable. Since it is used largely for domestic purposes its consumption is not dependent to any great extent upon the degree of industrial activity. The high dividend rates which these companies have been able to maintain over a long period of years indicates that this traffic has proven exceptionally profitable.

Last year the coal strike dealt the anthracite roads a severe blow. The cessation of mining operations for a period of five months, commencing April 1, resulted in a serious diminution of tonnage and a tremendous loss of revenue. Irrespective of the regularity of demand for hard coal, labor troubles on a scale such as this have a disastrous effect.

Consequently, the year produced decidedly unsatisfactory results. Such a good earner as the Delaware & Hudson not only failed to earn anything applicable to its stock, but was unable to fully cover its interest charges. The Lehigh Valley did correspondingly poorly while the Lackawanna secured much less than its normal net income. The Reading alone made a favorable showing.

Outlook for 1923

All this is now a matter of history. Of more vital significance is the probable showing during the current year. Up to the present it has been far from encouraging.

The first quarter of the year produced an operating deficit in the case of the Lehigh Valley and Delaware & Hudson and only a moderate surplus for the Lackawanna. The Philadelphia & Reading, however, secured a net operating income 50% in excess of that earned in the same period of 1922. In brief, the first three months have been practically a repetition of last year.

It might have been expected that the termination of the coal strike would have had the effect of greatly increasing the volume of coal traffic over the normal movement, in order to replenish the depleted supply. The freight embargoes which were necessary early in the year prevented such an increase. The inability of the roads to handle the business available is largely ascribable to the poor condition of their rolling stock caused by the shopmen's strike. The tremendous sums needed to restore locomotives and cars to a satisfactory state of repair absorbed whatever revenues they obtained.

The equipment problem is one of the most important factors in the situation. Except in the case of the Reading, the proportion of the gross revenues spent on maintenance of way and of equipment in the first quarter has been very large. The former has the least percentage of unserviceable rolling stock and is apparently in a position to continue its good showing. On the others, however, the number of locomotives in need of repairs is still high, especially on the Lehigh Valley. As long as this continues operating expenses will be high.

The agreement which the anthracite coal miners made with the operators expires August 31st, 1923. It is not likely that there will be any strike at that time. Even assuming that the traffic situation will be favorable for the balance of the year there is little reason to believe that the poor results thus far achieved will be completely overcome. A marked improvement should take place in the succeeding months, but with the exception of Reading the balances available for dividends will probably be below their customary levels.

DELAWARE & HUDSON

The Delaware & Hudson has maintained its 9% dividend rate even though it was forced to pay it entirely out of surplus

last year. This process cannot long continue, for unless earnings recover in the near future to such an extent as to enable the company to cover its dividend requirements, it will not possess the liquid resources from which to pay them.

At the end of 1922, its balance sheet showed current assets of 11.3 millions as against current liabilities of 14.1 millions. This is by no means a serious situation but it is doubtful whether the company would permit its cash position to be further impaired by paying unearned dividends.

For the period ending March 31, 1923, there was an operating deficit of over $500,000. March showed a small surplus and apparently the road has begun to recover from the effects of the strike. Future months should result in satisfactory net income.

Every effort will undoubtedly be made to maintain the 9% rate that has been paid uninterruptedly since 1907. Nevertheless it is well to bear in mind that the slightest setback might place it in jeopardy. **At its current price of 114 the yield is almost 8%, but the stock is hardly to be considered on a secure investment basis.**

D., L. & W.

The Delaware, Lackawanna & Western which for a decade paid dividends of $10 per share on its $50 par value stock and in 1921 a 100% stock dividend, recently reduced the rate to $6 per share. In 1922 its earnings were just sufficient to cover this disbursement.

Although income from rail operations for the first quarter was not equal to that of last year it seems probable that an improvement will soon occur. The company's outside income is very large and for a system of its size fixed charges are conspicuously low. They consist largely of rentals paid to leased lines, the company itself having no bonded debt although it guarantees the bonds of some of its subsidiaries.

There should be no difficulty in maintaining the present $6 dividend, but at its price of 116 the yield is very small. **The prospect of larger payments does not appear very good under present conditions and on the basis of the immediate future a substantial rise in the market price is not to be expected.**

THE ANTHRACITE ROADS

	Gross Spent on Maintenance First Quarter 1923	1922	Locomotives Unserviceable Feb., 1923	Freight Cars Unserviceable Feb., 1923
Philadelphia & Reading	25%	34%	19.4%	3.3%
Del., Lack. & Western	37%	30%	25.8%	3.9%
Delaware & Hudson	44%	36%	21.8%	6.2%
Lehigh Valley	50%	36%	46.5%	5.5%

COMPARISON OF INCOME ACCOUNTS, 1922 (In Thousands)

	Del. & Hud.	D., L. & W.	Leh. Val.	Reading Co.
Gross Rwy. Oper. Rev.	$37,823	$74,622	$62,418	.....
Net Rwy. Oper. Income	1,166	6,941	590	.....
Other Income	3,713	9,907	4,832	.....
Gross Income	$4,879	$16,848	$5,422	$20,594
Deductions	5,355	6,373	7,413	8,933
Net Income	*$476	$10,475	*$1,991	$11,661
Dividends	3,825	10,132	4,245	8,400
Surplus	*$4,301	$343	*$6,237	$3,261

* Deficit.

LEHIGH VALLEY

Lehigh Valley stock includes an interest in the Lehigh Valley Coal Company as well as in the Railroad Company. Under the proposed segregation plan the holder of each share of stock, upon the payment of $1.00 per share, is to receive an equal number of shares in the coal company. The latter is to be operated entirely independent of the railroad.

Lehigh Valley now pays $3.50 per share, which amounts to 7% on its $50 par value. At 62, the yield is only 5.65%, indicating that the market places considerable value upon the privilege to subscribe at a nominal sum to the coal-company stock.

There was a large deficit after dividends in 1922, and the first quarter of this year resulted in an operating loss of 1.7 millions. The latter was due to the expenditure of 50% of gross revenues on maintenance. Its motive power is still in poor state of repair and further heavy outlays will be required to restore it to a normal condition.

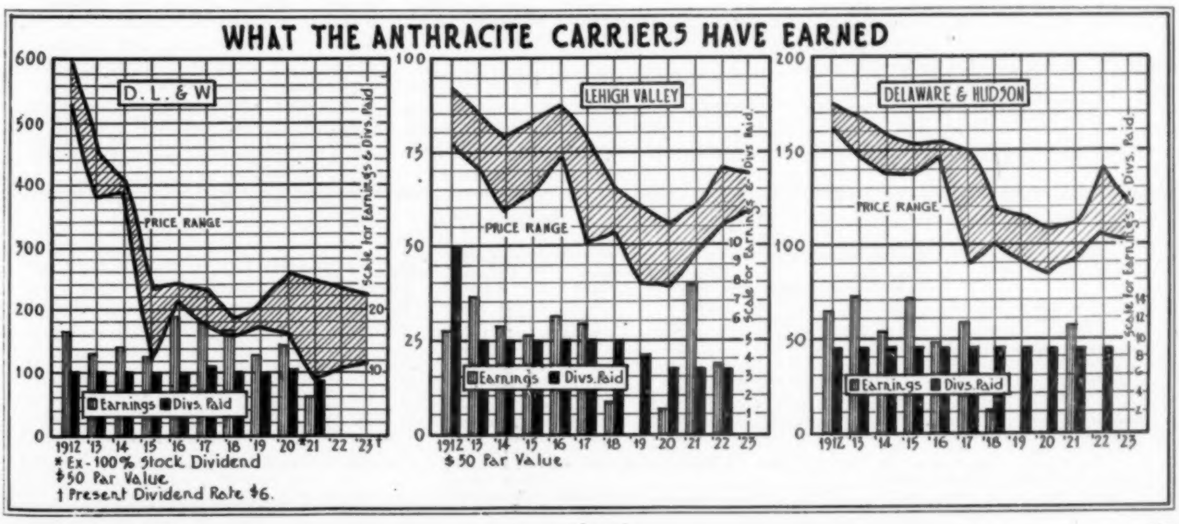
Although the immediate operating situation does not show much promise of producing large net earnings the company is in excellent financial condition. Its surplus of current assets over liabilities amounts to almost $10,000,000 and this seems ample to tide it over a period of meager operating income. **The equity which the stock possesses in the combined railroad and coal properties entitles it to sell at its present quotation but not higher.**

READING CO.

The Reading is another company that is to be separated into its various component parts. The Reading Company is mainly a holding company which owns all the stock of the Philadelphia & Reading Rwy., and the Philadelphia & Reading Coal & Iron Co. It also owns about 53% of the stock of the Central Railroad of N. J. It derives its income from the interest and dividends which it receives on the securities of these subsidiaries, and also from the lease to the railway company of equipment to which it holds title.

The segregation plan contemplates that the preferred and common stockholders of the Reading Company will be entitled

(*Please turn to page 264*)



Industrials

If the Decline Goes Further—

Watch These Stocks!

A Typically Practical Analysis That Should Help You Invest Safely

By FREDERICK LEWIS

IT is well known that in a bear market, the good stocks go down as well as the bad and frequently they decline just as violently. The reason is quite obvious. In a market of rapidly falling prices, speculative accounts become weakened and holdings must be thrown over regardless of intrinsic values. It is under such circumstances that the real bargains are to be picked up in Wall Street. Unfortunately, when these demoralized markets occur, the general public is nearly always found lacking the necessary cash with which to buy. They are already hung up with securities at higher prices and although gold dollars may be selling for fifty cents, they have to pass up the opportunity. That man is indeed fortunate who has his funds in liquid condition when stocks are going begging.

It is not the purpose of the writer to make any prediction in this article as to the immediate trend of the stock market. However, it is well to bear in mind that bull markets have invariably been followed by bear markets and that according to some observers, we have had a bull market for nearly two years. Sooner or later the tide is bound to turn definitely. It is therefore an excellent policy at this time to be very conservative in stock market commitments and to build up a strong cash reserve for the time when undoubted bargains will be available.

In buying after drastic declines, it is important for the investor to bear in mind that while prices of some stocks may be very low, they are not all necessarily cheap. There are always fundamental reasons for a major downward movement. In the 1920-21 bear market, the reasons were well known—deflation and a general slowing down of business. This, naturally, severely crippled many companies and it is interesting to note that in spite of the big general advance in the price of stocks from the low levels reached in 1921, some 200 issues are now actually selling at or below the lowest prices reached in that bear market. These are the securities of companies so badly hit by the deflation period that they have not yet succeeded in coming back.

When the stock market, therefore, has declined to low levels, the investor would do well to avoid the more speculative issues and limit his purchases to the stocks of our strongest companies, that is to say companies in very strong financial condition that have shown their ability in the past to go through periods of depression without being seriously hurt.

As a further protection, investors should distribute their purchases over several issues rather than concentrate on any single one. By adopting these rules and purchasing stocks outright, the risk involved is very slight and when the inevitable turn comes and the market is once again on the up-grade the stocks of these strong companies should be among the first to advance.

In this article ten companies are briefly described. These stocks represent the class of security that may be safely bought in a smash. They are all in exceptionally strong financial condition, have paid dividends for many years without interruption and have shown ability to make money under even severely adverse business conditions.

AMERICAN CAR & FOUNDRY

American Car & Foundry is the most important factor in its field which is the manufacture of passenger and freight railway cars and other railroad equipment. For the past ten years earnings on the thirty million common stock have averaged 16.71%. As the company has been conservative in dividend payments, it has built up a very strong financial condition and has a larger working capital than it actually needs in the conduct of its business.

As of April 30, 1922, the company held 18½ millions United States Goverment securities and, in addition, had 6.8 millions cash on hand.

On April 30, 1921, the company set aside a reserve of 10.8 millions to be used for the payment of common dividends whenever the directors might find it necessary to draw upon its special fund. This amount is equivalent to three years' dividends on the thirty millions common stock at the rate of 12% per annum, and as the company has continued to earn its 12% dividend, with a margin to spare, this fund is still intact. The management of American Car & Foundry has made a splendid record and is regarded as highly efficient. **With this three-year dividend reserve fund, shareholders have little to fear from a temporary period of depression and, under anything like normal conditions, the company should be able to show earnings well in excess of present dividend requirements.**

AMERICAN TOBACCO

It is well known that the earnings of tobacco companies are seldom seriously affected by a business depression. In 1921, when so many companies were finding conditions very difficult, American Tobacco showed the best earnings in its history up to that time. This stock gives an excellent illustration of the fact that, in a bear market, big declines may occur in the stocks

TEN STRONG COMPANIES

	Cash and Marketable Securities (In Millions)	*Ratio	Earned Per Share 1921	Earned Per Share 1922	Unbroken Dividend Record	Present Dividend Rate	Remarks
American Car & Foundry...	$31.1	4½ to 1	†$21.50	†$14.95	16 years	$12	3-year dividend reserve.
American Tobacco..........	12.5	12 to 1	16.85	17.64	18 years	12	Record cigarette output.
Atchison	41.4	2 to 1	14.70	12.42	22 years	6	Current earnings at rate of $16 a share.
Brooklyn Edison............	10.0	3 to 1	15.96	18.19	23 years	8	Extensive additions being constructed.
General Electric............	85.3	6½ to 1	12.92	14.93	24 years	‡13	Bookings large.
Illinois Central............	10.4	1¼ to 1	9.29	14.29	63 years	7	Current earnings at rate of $16 a share.
Railway Steel Spring.......	9.7	14 to 1	4.49	10.24	7 years	8	No bonds or bank loans.
Texas Co.	14.3	8 to 1	1.54	4.04	21 years	3	Funded debt paid off.
United Fruit...............	28.9	4 to 1	16.97	18.85	24 years	8	Large profits in sugar this year.
Westinghouse Electric.......	22.7	8 to 1	§3.89	§8.19	11 years	4	Unfilled orders large.

* Ratio of current assets to current liabilities. † Years ended April 30, 1921 and 1922. ‡ Of which 5% is paid in 6% special stock. § Years ended March 31, 1922 and 1923.

The Port Arthur Texas Refinery of the Texas Co., as seen from an airplane. This company compares favorably with the strongest Standard Oil Companies

of companies that are very prosperous, for technical reasons alone. Thus American Tobacco common sold as low as 111½ in 1921, although it was on a 12% basis throughout the entire year. As of December 31, 1922, the company had a working capital of 88 million dollars, and this was after having paid off ten million 7% notes in November, 1922. The payment of these notes reduced the funded debt of the company to 1.6 millions. American Tobacco is one of the largest cigarette manufacturers, and the demand for its products has been so satisfactory in the current year that it is planning to greatly increase its output. In view of the strong financial condition and the outlook for continued good earnings, the present dividend rate of 12% appears well secured. **The stock, of course, as stated elsewhere in this department, has not exactly been an ideal speculative issue, but as an investment it certainly has attractions.**

ATCHISON

Atchison, Topeka & Santa Fé has been a consistent earner in good and bad times. In the past ten years earnings have averaged a little better than $10.00 per share per annum on the common stock, and in every year the dividend was earned with a margin to spare.

The financial condition of the company is excellent and its credit is high. A less conservative management would have increased the dividend on the common stock long before this time, but the Atchison management has adopted a policy of putting surplus fund into improvements and betterment and, as a result, the road is in splendid physical condition.

For the past two years earnings have been in excess of twice the present dividend requirements, and in the current year are showing considerably better than that. **It is only a question of time, therefore, when greater rewards will come to common stockholders; and the stock is therefore decidedly attractive as a long-pull proposition.** If railroad rates should be reduced to a point where Atchison could not earn its present dividend, the chances are that most of the other roads in the country would not be able to earn their fixed charges. It is hardly conceivable that any such drastic reduction would be permitted to hold. Moreover, the recent decision of the United States Supreme Court to the effect that valuation of public utilities should be on the basis of replacement value of the properties, and not the original cost, is likely to prove an important factor in enabling the railroads to obtain a fair return. Atchison has maintained a 6% dividend rate for fourteen years.

BROOKLYN EDISON

For the past ten years Brooklyn Edison earnings on the average capital stock outstanding each year averaged 13.16%. Business of this company has grown so rapidly that it has been obliged to spend very large sums in enlarging its system. In 1922 ten millions of new stock was offered to stockholders at par, and in 1923 fifteen millions additional stock was offered to stockholders at par. These new issues have more than doubled the amount of common stock outstanding and greatly increases the company's dividend requirements. The new money received, however, is being put into extensions and new plants which should bring in enough additional income to more than pay the $8.00 dividend on this new stock.

Brooklyn Edison in 1922 earned $18.19 a share on the stock outstanding at the close of the year. It is not to be expected that earnings in 1923 will be quite as high on the increased capitalization, but as gross business has been running very large, there is a fair prospect that the dividend will be twice earned. Brooklyn Edison supplies the entire electric light and power business for the Borough of Brooklyn (except the 29th Ward), a rapidly growing territory. **The recent financing has placed the company in strong financial condition, and on any substantial recession in price, the stock can be bought with confidence.**

GENERAL ELECTRIC

General Electric has shown a remarkably steady and increasing earning power

TEN STURDY STOCKS

	Price Range 1922 High	1922 Low	1923 High	1923 Low	Present Price
American Car & Foundry	201	141	189	165	172
American Tobacco B	165¼	126	150¼	140	147
Atchison	108½	91¼	105⅛	97⅜	100
Brooklyn Edison	124⅝	100	121½	104¼	108
General Electric	190	136	190⅛	170½	174
Illinois Central	115¼	97½	117½	105	110
Railway Steel Spring	126¼	94	123	109	113
Texas Co.	52¼	42	52⅞	43¼	46
United Fruit	162	119¼	183	152½	170
Westinghouse Electric	65⅛	49⅛	67⅛	52⅞	55

over a long period of years. While earnings fell off somewhat during the period of depression, the company has never failed to show a substantial balance available for common dividends. Moreover, the earning power of the company is probably much larger than is indicated by the company's report, for it is well known that unusually heavy charges are made for depreciation.

In January, 1922, Samuel Untermyer, counsel to the Lockwood Committee, accused the company of "covering up" enormous profits by its methods of bookkeeping. It was stated that from January 1, 1893, to December 31, 1920, plant expenditure totalled 182 millions, and that charges for depreciation aggregated 116 millions, reducing the book value of the plant to sixty-six millions, and that in 1918-19-20 plant improvements cost sixty-six millions, and forty million dollars was written off. The book value of the stock is $141 a share, but in view of these heavy charges the actual asset value of the stock is undoubtedly far in excess of this figure.

General Electric is dominant in its field, which is the manufacture of electrical equipment, one of its principal lines being electric light bulbs, which accounts for over 25% of the company's gross business.

The company pays 8% per annum on the common stock in cash and an additional 6% per annum in special stock, which has a par value of $10.00 and pays 6% per annum. This special stock is selling above its par value, so that the total dividends on the common are equivalent to slightly over 13% per annum in cash.

The company is in an unusually strong financial condition, United States Government securities totalling 35.8 millions and cash on hand 49.4 millions. **Should the company run into a period of bad business, therefore, it could easily afford to dip into surplus to maintain the present dividend rate.** Just now the outlook for the company is unusually good; bookings for the first quarter of the year aggregated over 80 million dollars, or at the rate of 320 million dollars annually. In 1922 the company earned 14.63% on its stock, and net sales billed were over 200 millions.

ILLINOIS CENTRAL

Illinois Central is in very much the same position as Atchison. Earnings have been sufficient to justify an increase in the dividend rate for some time, but the management, as in the case of Atchison, has adopted the policy of spending huge sums for improvements. In 1923 alone the company will spend over 45 millions for improvements and extensions of facilities. In 1922 the road earned its 7% dividend twice over, and earnings for the first four months of 1923 have been at the rate of around 18% on the stock. Illinois Central has one of the longest unbroken dividend records of any security listed on the New York Stock Exchange, having paid dividends without a break for the past sixty-three years. **The stock can be regarded as an unusually safe 7% payer,**

(*Please turn to page 229*)

Preferred Stocks

Generally Lower—California Petroleum a Feature

PREFERRED stocks displayed a greater tendency than heretofore to reflect the lower levels reached by common stocks and there was considerable irregularity in the preferred market. Business was light, but sales could only be made at concessions, and declines of two and three points were numerous. The more speculative issues, such as the Market Street Railway stocks, suffered greater recessions. However, it was evident that any improvement in the general market would quickly result in a return to former levels.

There were a number of bright spots in the list. California Petroleum participating preferred moved up eight points to 109, in response to the excellent earnings and rumors that the preferred shares would ultimately be redeemed at 120. American Can and Endicott Johnson preferred also scored substantial gains.

PREFERRED STOCK GUIDE

	Divid'd Rate $ Per Share	Approx. Price	Approx. Yield	Divid'd % Times Earned
Sound Investments				
INDUSTRIALS:				
American Sugar Refining Co.........(c.)..	7	104¼	6.7	1.8
American Can Co....................(c.)..	7	108	6.5	2.2
American Ice Company..............(n.c.)..	6	82	7.3	6.0
American Woolen Co.................(c.)..	7	102	6.8	2.9
Allied Chemical & Dye Corp..........(c.)..	7	108½	6.5	(x) 4.5
Baldwin Locomotive Works...........(c.)..	7	112	6.2	5.4
Cluett-Peabody & Co................(c.)..	7	103	6.7	4.5
Endicott-Johnson Corp...............(c.)..	7	115	6.1	6.0
General Motors Corp. deb............(c.)..	7	99	7.0	(y) 5.4
Kelly-Springfield Tire Co...........(c.)..	6	89	6.7	13.2
Loose-Wiles Biscuit Co. 1st..........(c.)..	7	106	6.6	3.5
Standard Milling Co...............(n.c.)..	6	89	6.7	5.2
PUBLIC UTILITIES:				
North American Co..................(c.)..	3	45	6.7	6.0
Philadelphia Company...............(c.)..	3	41½	7.2	5.7
RAILROADS:				
Bangor & Aroostook..................(c.)..	7	91	7.7	2.5
Chesapeake & Ohio conv..............(c.)..	6.50	101	6.4	(z) 6.6
Chicago & Northwest partic.........(n.c.)..	7	115	6.1	6.3
Colorado & Southern 1st............(n.c.)..	4	54½	7.3	6.2
Middle-Grade Investments				
INDUSTRIALS:				
Armour & Co. of Del.................(c.)..	7	91	7.7	(z) 2.9*
American Steel Foundries............(c.)..	7	101½	6.9	5.0
Allis-Chalmers Mfg. Co..............(c.)..	7	91½	7.6	3.2
American Smelting & Ref. Co.........(c.)..	7	97½	7.2	2.5
Associated Dry Goods Co. 1st........(c.)..	6	82½	7.3	2.7
Brown Shoe Co.......................(c.)..	7	94½	7.4	3.1
Bethlehem Steel Corp. conv..........(c.)..	8	106½	7.5	6.9
Bush Terminal Buildings Co..........(c.)..	7	95	7.3	1.1
Coca-Cola Co........................(c.)..	7	95	7.3	(x) 5.1
Cuban-American Sugar Co.............(c.)..	7	95	7.3	8.0
Genl. American Tank Car Corp........(c.)..	7	99½	7.0	(y) 5.7
General Baking Co...................(c.)..	8	112½	7.1	(x) 3.8
Gimbel Brothers, Inc................(c.)..	7	99	8.2	3.3
J. Kayser & Co......................(c.)..	8	98	7.0	1.8
Natl. Cloak & Suit Co...............(c.)..	7	95½	7.3	3.0
Sears-Roebuck & Co..................(c.)..	7	108	6.5	15.7
U. S. Industrial Alcohol Co.........(c.)..	7	99	7.0	3.9
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)..	7	89	7.9	(x) 2.2
Public Service of N. J...............(c.)..	8	104	7.6	1.9
RAILROADS:				
Baltimore & Ohio..................(n.c.)..	4	57½	7.0	...
Colorado & Southern 2nd pfd.......(n.c.)..	4	53	7.5	7.2
Pittsburgh & W. Va...................(c.)..	6	89	6.8	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
American Beet Sugar Co............(n.c.)..	6	77¾	7.7	2.8
California Petroleum partic. pfd.....(c.)..	7	109	6.5	(x) 3.4
Famous Players-Lasky Corp...........(c.)..	8	91½	8.7	(w) 6.4
Fisher Body Corp. of Ohio...........(c.)..	8	99	8.0	...
Mack Trucks, Inc., 1st..............(c.)..	7	92	7.6	2.0
Orpheum Circuit.....................(c.)..	8	92	8.6	3.1
Pure Oil Co. conv. pfd..............(c.)..	8	97	8.3	6.0
U. S. Rubber 1st pfd..............(n.c.)..	8	100	8.0	2.6
Worthington Pump & Mfg. "A".........(c.)..	7	80	8.7	6.6
PUBLIC UTILITIES:				
Market Street Railway prior pfd.....(c.)..	6	69	8.7	...
RAILROADS:				
Pere Marquette......................(c.)..	5	64	7.7	2.0
St. Louis Southwestern............(n.c.)..	5	59	8.8	1.4
Southern Railway..................(n.c.)..	5	66	7.5	2.9

(c.) Cumulative. (n.c.) Non-cumulative.

(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

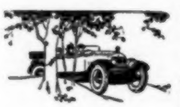
* Based on average earnings during past six years.

% Average number times earned last five years.

Stewart-Warner's Prospects

Pertinent Facts About the Leader of the Speedometer Field

By HORACE N. PETERS



THE name, Stewart-Warner, is familiar to everyone of you who has ever been seated behind the wheel of an automobile, whether a Ford or a Packard, for it is the name of the Speedometer that is mounted on an overwhelming majority of the 12,000,000 motor cars and trucks on this country's highways. It has been manufactured by the present Stewart-Warner Speedometer Corporation or predecessor companies for 20 years. During all that time no rival manufacturer has ever threatened seriously to challenge its supremacy. What is even more remarkable, the company has never found it necessary to discourage competition by selling at a close margin.

From 1906 to about 1915, the company's sole products were speed-indicating instruments. With the new opportunities created by the war boom days, however, the manufacturing facilities were expanded and new articles such as warning signals (characteristically enough, the Stewart-Warner artisans who had been turning out an instrument which demanded the precision of the watchmakers' craft, did not accept the name of "horn" as properly descriptive of this new product of theirs), engine driven tire pumps, searchlights and vacuum systems.

More recently, bumpers have been added to the line. In the annual report, President Smith called particular attention to the fact that sales of bumpers had increased very rapidly, adding that the company could easily have handled double its actual business on them last year, had the manufacturing space been available. Additions to plants have now been made to take care of 1923 requirements. Besides, further facilities are being provided for increased capacity generally and to permit the manufacture of several entirely new accessories which it is officially stated will be in production before the end of 1923.

The retail distributing arrangements of the company have contributed measurably to its success. Each year, an important and increasing proportion of its products are purchased by the automobile owner direct. The company has its own branch stores and service stations in the larger cities; but relies on the private merchant for distribution elsewhere. The products are admirably suited to easy merchandising because they occupy small store space, lend themselves to attractive window display and, so far as speedometers are concerned at least, are in universal demand by motorists. Speedometers in fact are a necessary part of the equipment on every car. And here, it is worthy of note that the other products of the company have evidently been added with a view to their increasing utility, rather than their ornamental or luxury value; which is a commentary on the sound manufacturing policy of the management.

In 1920, the company took over the Stewart-Warner Manufacturing Corporation through an even exchange of stock, involving issue of 60,000 additional shares. This concern manufactured all the die castings used by the parent organization and besides, sold a considerable part of its output to outside companies. In 1921, the assets, consisting principally of machinery, equipment and patents, of the Van Sicklen Speedometer Corporation, a small competitor but possible rival, were purchased for 15,000 shares of stock and $725,000 cash. All other expansion has been financed out of earnings and without any further increase in stock from the original $10,000,000 issued in 1912. However, the original $100 shares were exchanged for 4 no par value shares in the capital readjustment of 1920.

In passing, it should be mentioned that the company issued $2,000,000 8% Convertible Notes in 1921, of which the proceeds supplied cash for the Van Sicklen purchase and for working capital during that year of unusual strain. These notes were all paid off by September 1, 1922, upon the earliest signs of a revival in business. Thus the noteholders were not given a chance to convert and the equities in earnings were saved intact for the stockholders.

Not only did the company retire these $2,000,000 notes in 1922, but it paid out nearly $2,000,000 in dividends and had enough left over out of its earnings, to put its finances on the strongest footing of its entire history.

While it may appear on the face of the comparative figures shown in the accompanying table, that the 1922 profits of $5,335,000 were too far above any previous year to be regarded as normal; and while it may be argued that the results for the first half of this year (which will surely establish another record) cannot be taken as a criterion of the last six months, when advanced costs and lessened demand are fairly certain to curtail earnings; there is no getting away from these facts:

1. Between 1919 and 1922 a vastly larger market was built up for the company's products, by reason of the enormous number of new automobiles put in service. The effect on profits was not felt, however, until toward the middle of 1922. In other words, had not abnormal outside conditions intervened in 1920 and 1921, there should have been an uninterrupted upward trend in profits in both those years by comparison with which, the profits of 1922 would not have appeared unnaturally swollen.
2. The company has developed new and profitable lines since 1919 and still others are being added. In this regard, it is important to remember that the established good will and trade names and the existing sales organizations are immeasurably valuable in marketing the new products.
3. Since the additional investments in plants required for handling a greatly expanded business, have been met out of surplus earnings with the exceptions noted, there has been practically no increase in capital obligations during a decade of rapid growth in earning power.

The present dividend rate of $8, from the above facts, would appear fairly safe for at least some time. However, with the industry practically certain to face a declining period of earnings during the second half of the year, and with margin of earnings proportionately cut, it does not appear that too wide a margin of earnings above the present dividend rate can be sustained. It is probably in anticipation of such a result that the stock broke badly from 120 to the lower 80s and undoubtedly the present high yield of about 10% indicates the somewhat speculative nature of the dividend, from a long-range viewpoint. Furthermore, the stock is not seasoned, in the sense of Westinghouse, and U. S. Steel and should, until seasoning is more definite, sell on a much higher yield basis than stocks of the aforementioned type. In other words, the stock is of a speculative type and can only be recommended on such a basis. **In a strong market, Stewart-Warner would undoubtedly give a good account of itself, but as yet has not reached a true investment plane.**

STEWART-WARNER'S EARNINGS

	1919	1920	1921	1922
Net income	$2,793,293	$2,290,194	$1,039,573	$5,335,162
Common dividends	900,000	1,674,267	1,172,105	1,875,058
Paid per share	*$2.25	$4.00	$2.50	$4.00
Earned per share	*6.98	5.00	2.08	11.24

* Adjusted to new capitalization basis.

Note—Net, BEFORE TAXES, for first quarter of 1923, was $2,072,400, equal to about $4.00 a share.

Electric Storage Battery Co.

An Admirably Managed Industrial

Results of Conservative Policy—Is the Stock Attractive?

By HENRY FRANKLIN

LIKE practically all new companies which have relations direct or indirect with the automobile industry, Electric Storage Battery, since the first of the year, has been enjoying a record volume of business. The company reports that the demand for automobile accessories is the largest in its history. Electric Storage Battery is not wholly and solely dependent upon the automobile industry for earnings, but storage batteries and other accessories are a most important part of the total, and should that part show signs of decrease in the volume of orders, it is obvious that the reflection upon earnings would be quite immediate and perceptible.

A Pioneer

Electric Storage Battery is one of the pioneers in its field, having been incorporated in 1888. Headquarters is in Philadelphia and, for a good many years, interest in the stock and in the expansion of the company was confined to that locality. Until quite recently, Philadelphia furnished the best market for the shares, although they have been listed upon the New York Stock Exchange for some time.

Last year the company made a capital readjustment and since then the market in New York has been quite active and the stock is much more widely known than before. Before the split-up, share capital consisted of about 200,000 shares of common stock, having a par value of $100. In May, 1922, par value of the common stock was changed from $100 to no par, and four shares of no-par stock were given for one share of $100 par stock.

The amount of preferred stock outstanding is negligible, amounting in all, to $32,400. On the basis of the 200 thousand shares of $100 par value, the per-share earnings of the company ran in double figures from 1917 through 1921, inclusive. Dividends paid upon the old stock finally rose to 12% and the common has been a dividend payer since 1901.

Per-share earnings upon the present 797 thousand shares of common stock necessarily are considerably smaller than per-share earnings on 200 thousand shares of stock. Last year the company earned $8.37 per share after allowance for estimated federal taxes, but net income of $7,570,000 was larger than the net income for any previous year. The final surplus for the year, after the deduction for federal taxes, was larger than the final surplus of any previous year before deductions for federal taxes.

The dividend rate of 12% on the $100 par shares was equivalent to $3 on the new no-par stock, and this was the rate that was continued in the spring of 1922. In December, 1922, however, the directors increased the annual dividend rate from $3 to $4 where it now stands.

If Electric Storage Battery common shares were considered solely from an asset standpoint, present market value might, to some, seem rather liberal. In the opinion of the writer, however, asset value or book value is a weak prop to lean upon in attempting to estimate the market value of any stock. For example, Electric Storage Battery includes upon its balance sheet an item of 11 million dollars for patents, trade-marks, etc. This good-will account cannot be conservatively included in a reckoning of asset value back of the common shares but it is altogether likely that the account is in no sense padded, and it will be readily admitted that the item of good-will in a business like that of Electric Storage Battery must be of substantial proportions.

ELECTRIC STORAGE BATTERY

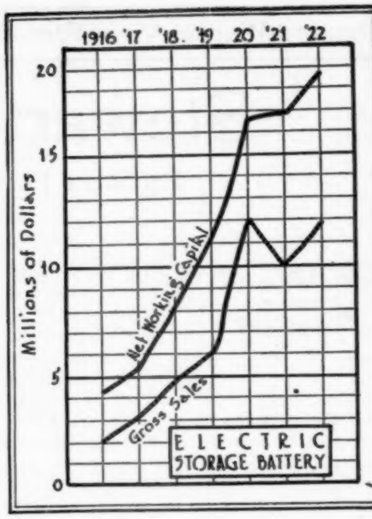
	Net Income	Earned Per Share
1916	$1,582,053	*$9.74
1917	2,027,883	12.48
1918	3,949,373	13.12
1919	4,800,813	12.30
1920	6,157,091	25.40
1921	5,602,383	23.00
1922	7,570,839	8.37

* Prior to 1922 earnings figured on old $100 par stock, 200,000 shares. In 1922 on 798,000 no par shares.

Expansion of the Company

After all, Electric Storage Battery must be judged on its record of earnings, and this record has shown a steady expansion for the past 10 years or more. In the years immediately preceding the war, the company paid about 50% of net income in dividends, retaining the rest for surplus, which was conservative and in line with good policy.

Naturally, earnings jumped far ahead during the war period and the proportion of dividends to available net grew less, and the amount reserved for surplus became greater. Back in 1916 it might possibly have been said that the good-will account of 11 million dollars was a trifle large in comparison with other assets. At that time, plant investment was less than 2 million dollars, whereas, today it is almost 11 millions. Seven years ago total current assets were 5 millions and working capital a little over 4 millions. At the end of 1922, current assets were over 21 millions and working capital was 18¾ millions. In the same period, profit and loss surplus grew from 2.3 to practically 22 millions. This recital of increase in assets serves to illustrate the growth of the company's operations.



An examination of Electric Storage Battery, both as to earnings and as to expansion of financial structure, leads to the conclusion that the company's position is solidly based and exceedingly durable, if such an expression can be used in this connection. Conservatism continues to dictate dividend payments. The current rate of $4 undoubtedly is being earned at least twice, and probably more. In fact, there have been unofficial reports to the effect that the management might find it possible to increase the rate to $5. There is nothing definite to indicate such a development, however, in the near future.

Conclusion

The price range of the common shares is relatively narrow and at present the stock is selling in the neighborhood of 60, and seems to be in a normal position for an issue which pays $4. The income return at 60 is 6⅔%.

Regardless of general stock market conditions, the shares are neither on the bargain counter nor on an inflated basis. If the general market trend is downward, and if consensus of opinion converges on the viewpoint that the automobile industry is at the limit of expansion for the time being, it is rather too much to expect Electric Storage Battery stock to break away and move substantially upward as an individual proposition. **The $4 dividend rate appears well secured, however, and earning power, when the management can control circumstances, of very substantial character.**

Is Eastman Kodak Too High?

The Company's Dividend Policy—Position of Common Stock

By JOHN MORROW

"KODAK as you go" made a fortune long before the general public knew anything at all about shares of kodak companies, or rather of the shares of *the* kodak company. After all there is only one kodak company in which the public has any interest, and incidentally, only one in which the Government has had any interest, and that is Eastman Kodak Company.

For years Eastman Kodak was known for its large profits in proportion to the number of shares outstanding and for its enviable record of extra dividends. The policy of the management was to pay a reasonably large regular dividend, the rate was 10%, and then to distribute largess to shareholders by way of extra dividends, a pleasant method of emphasizing the consistency of large profits. **From 1905, the company has not missed a year of paying extra dividends.**

On account of these large extra dividends, the old capital common stock of $100 par value rose to such heights that the average investor or speculator could do nothing more than think about possessing some. Trading in the stock was difficult, and it was generally supposed that the shares were rather closely held. In 1922, Eastman bowed to the dictates of corporate fashion and split up stock by exchanging ten shares of no-par common for one share of old $100 par stock. This readjustment caused approximately 2 million shares to be outstanding where there had been 200 thousand. The price of the shares was reduced proportionately and they were put within the reach of the average buyer.

Naturally, so flourishing and so prosperous a company as Eastman could not escape the eagle eye of the Government. Suspicion was aroused ten years ago and suit against the company was instituted under the Sherman Anti-Trust law demanding dissolution of an alleged monopoly of photographic supplies. A settlement was effected in January, 1921, after the Supreme Court had decided against the company. The settlement provided that Eastman must sell its Premo and Century plants and some other lines. The properties required to be sold are the largest ones which were acquired by the company from other manufacturers. It is not believed that this decree involved any substantial breaking up or has there been any concern regarding any impairment of earning power.

This is the largest and most important litigation in which Eastman has been involved, but on account of the many patent rights, etc., concerned with the photographic industry, Eastman frequently has been subjected to suits on the part of individuals asking for extremely large damages. These suits have met with varying success, but none of them has accomplished its full purpose, so far as available records show, and it is likely that as long as Eastman continues so long will there be litigation. It is not a factor, however, which appears to be working against the market value of the shares.

Naturally enough, share balances on 2 million shares of stock do not look the same in cold print as share balances upon 200 thousand shares of stock. On 200 thousand shares of stock earnings in some years of the past ten have been as high as 91% and as low as 54%. This is the record upon which extra dividends have been based. If these same earnings were applied to the present common-share capitalization of 2 million shares it will be seen that Eastman in the ten years from 1912 through 1921 averaged between $7 and $8 a share per year.

Not only has Eastman been foremost in the field of kodaks and photographic supplies but it has established a large business in the distribution of motion-picture films. The Federal Trade Commission, running true to form, took official cognizance of Eastman's success in the motion picture film business and served a complaint in April, 1923, charging monopoly.

As indicated previously, Eastman has been the target and object of all kinds of suits ever since the company has resumed respectable proportions, but earning power continues unchecked. Since the par value of the common shares was changed to no par and an exchange of stock on the basis of ten for one effected, price range has been between 115 and 70. It is likely that this price range has been governed largely by interest in the dividend rate on the new stock. In this case, the dividend rate on the old $100 shares offered little or no base for judgment. In 1922, dividends on the common stock were equivalent to $6.25 per share on the no par value stock.

EASTMAN KODAK'S EARNINGS

	Net Profits	Common Divs.	Surplus	*Earned Per Share
1915	$15,741,453	$11,719,680	$3,651,831	$7.00
1916	17,289,206	13,674,635	3,244,629	8.40
1917	14,542,567	5,861,520	8,311,105	7.00
1918	14,051,969	8,792,280	4,889,747	6.80
1919	18,326,188	7,819,110	10,137,136	9.00
1920	18,566,211	7,865,840	10,330,429	9.10
1921	14,105,861	7,953,215	5,782,704	6.87
1922	17,952,555	12,574,962	5,007,650	8.75

* On basis present share capital.

In the year ended December 31, 1922, net profits after providing for Federal income taxes were almost 18 million dollars. After allowing for preferred dividends the balance was equal to over $8 a share upon the 2 million shares common stock. One cannot say, with due regard for strict accuracy, that Eastman was enabled by the war to accumulate unheard-of profits and surpluses. In fact, in 1917 and 1918, when the United States was actively engaged, net profits were 20% below 1916 and then jumped up 30% in 1919 and 1920.

Since 1902 to 1922, inclusive, Eastman has earned a surplus of about 79 million dollars after dividend payments and reserve funds. The company offset the entire book value of good-will and patents by a charge-off against surplus and the present balance sheet carries no good-will and patents account. At the end of 1922, current assets exceeded current liabilities by a ratio of over five to one and included in current assets was a total of about 43 million dollars in cash and Government obligations, an amount in itself equal to $20 a share upon the common stock.

Thus far in 1923 dividends have been running at the rate of $8 a share. Quarterly payments consisting of a regular declaration of $1.25 a share and an extra declaration of 75 cents. Judging by the earnings records of the past ten years a dividend rate of $8 is about all that may be expected although, in view of the constantly expanding resources, it does not seem a dangerously high dividend.

There is no doubt of the investment worth of the 6% preferred stock. Its standing is absolutely sound.

Eastman Kodak common has not given as much ground as many other specialties during the recent market break. **Between 100 and 110 the stock does not seem particularly inflated, but in view of the apparent trend of the general market, it might be a more conservative policy to buy only on a sharp decline. The position of Eastman in the industry which it represents is pre-eminent but its common stock for the time being must bow to general stock-market conditions.**

"Hoodoo" Stocks

A Review of Stock Market Disappointments—Some Whiskered Fallacies Exposed

By JAMES GARRISON

IN this article, a number of stocks are discussed which, for one reason or another, have failed to make market profits for their stockholders in spite of favorable indications. The fact that a stock has been a "hoodoo" marketwise does not mean that it is intrinsically weak, as some of the best stocks on the Board have come under this classification. They have simply failed to make speculative profits, irrespective of their investment strength or weakness. The writer analyzes in some detail a number of popular beliefs as to the market which have been proven wrong in the case of some of the "hoodoo" stocks covered in this article. He points out particularly three cases where stocks whose underlying position was perfectly sound have been disappointments marketwise, and shows how this market weakness stands in contradiction to their sound investment merits.

ALMOST every investor whose market career has been at all extended has had the experience of seeing the market rising ten, twenty, thirty points while some particular stock which he holds actually goes down. This is the most irritating, perhaps, but not the only kind of stock-market disappointment:

There is the dividend-paying stock yielding well over the average which may have been bought "for profit and investment," that is to say, in the anticipation that its price would rise so as to bring the yield down to a normal basis. There are stocks that have gone along for years on an exceptionally high dividend basis, always being mentioned as "bargains" and never quite panning out. American Tobacco, for instance, used to sell reguarly, year after year, to yield 8.9%, once as high as 15%, though the company's earning power was unquestioned, and even at the present time it has not gotten out of the high-yield zone. American Telephone & Telegraph is another one which for years used to be pointed out as a stock that should make substantial market profits when its dividend yield came down to normal; and while profits have been made, it is true, the stock still sells to yield far above the average stock of its class.

Non-Dividend Paying Disappointments

Another kind of disappointment is the non-dividend payer which is reported year after year to be showing good earnings, but which somehow never quite gets around to declaring a dividend, never has a market move, and does nothing until the disappointed investor throws it overboard in disgust, investment "values" or no "values." Butterick for many years has been an example of this kind of stock. Disappointments of this type are particularly insidious in that they may cause an actual loss without the investor's being aware of it, if he is not in the habit of calculating closely.

Butterick, for instance, could have been bought in 1916 at 16½, and sold in early April at 21. Apparently this would mean 4½ points of profit, but it must not be forgotten that the stock has paid no dividends during this time, and that the capital involved is entitled to a return of 6%, at the very least. Over the period of time during which the stock, not paying dividends, was held in our hypothetical transaction, the minimum return would have been 42%, which, as it did not come in yearly in the form of dividends, must be expected to come in a lump sum in the form of market profits at the end of the transaction. This would have meant a selling price around 23 as the least that would enable the holder to get out even; a price, by the way, which has not been seen so far this year for Butterick.

There is also the plain speculation, which does not work out right for some reason or other, and in which one becomes an "involuntary investor," hoping against hope, year after year, that somehow it will turn out all right. This kind of disappointment, it need scarcely be said, is probably the most costly of all, especially where it is complicated by the kind of "market knowledge" which consists in averaging, buying on a scale down, etc., when the stock is very evidently destined for the bow-wows.

Other Examples

This sort of thing is apt to happen where a stock takes the toboggan rapidly after having reached a magnificent height, buoyed up by all sorts of bullish reports, prospectuses, hopes, statements, news comment, market letters, and the like. When American International Corp. slid off from its proud peak of 132¼ in 1919 it attracted a good deal of this sort of buying on the way down, and somewhat the same happened with the International Mercantile Marine issues.

A complicating feature of this sort of transaction is that the companies involved usually shed all or most of their dividends as the stock go down, so that carrying charges for invested capital have to be figured at the original high price at which the stock was bought, while actual prices are not only lower, but are not mitigated by the receipt of dividends.

A kind of "investment" that is pretty well in the hopeless class is that of common stocks preceded by preferred on which huge arrears of dividends have accumulated. American Hide and Leather common and American Writing Paper common are of this kind, and one would think offhand that it would be hard to induce anybody to buy these stocks for any purpose whatever. Yet in the course of a year the transactions in these shares mount up to considerable volumes, and undoubtedly there are people who buy them on the sole and sufficient ground that they are cheap. Incidentally, stocks of this type are never cheap; they are usually low-priced, which is different, and the difference would save many a dollar of speculative and investment money for those who insist on "playing the market" with a thinly-lined pocket.

This latter notion is only one of the numerous fallacies which in the course of time have grown up in the Street as hazy and inaccurate expressions of half or quarter truths. It is true, for instance, that a cheap stock, other things being equal, can go up more rapidly than a stock which is equally good but sells at a higher price per share. This is not the whole story, however, and is certainly no reason for buying cheap stocks indiscriminately merely because they are cheap. In the first place, unless the opposite is proven, there is always a presumption that a high-priced stock sells high because it is good, while a cheap stocks sells low because it is not so good, and if this is not true in particular instances, it has to be proven for these particular instances. "Other things" are usually not equal, that is to say. In the second place, a stock that can go up exceptionally fast, for any reason whatever (low price, small floating supply, large issues of bonds and preferred preceding it), can also go down exceptionally fast, so that the risk assumed is greater.

Another Fallacy

Another such fallacy which cannot stand up under examination, and which nevertheless has proven a fertile source of stock-market disappointments, is the notion that when the market goes up, everything goes up, so that once one is convinced that the broad trend is bullish, he does not have to be particular about what

stock he buys. In other words, it is the old theory that the "when" is always more important than the "what."

The main objection to this notion is that the facts are many times against it. The market has undoubtedly been going up right along since the lowest points of 1921, but Virginia-Carolina Chemical, which did not go below 20¾ at the worst of 1921, is now selling at 11 while other stocks have doubled and tripled in value. If this were an isolated case it would not be of much importance, but it would be easy to name fifty stocks in similar position. Since this is the case, it is evident that at no time can the investor afford to relax his vigilance in the purchase of securities, even when he knows beyond the peradventure of a doubt that the market is with him and going his way. There are always "exceptions" to the trend of a market, and when that trend is bullish, it is worth the extra trouble for the investor to make sure that he is not caught in one of the "exceptions."

Another of these ideas that have gotten many investors into trouble is the notion that because an industry is in good position, all of the stocks of all companies in the industry are necessarily good purchases. The most vicious feature of this line of reasoning is that it usually induces the investor to pick out the stocks which have had the least advance, or which have not advanced at all, on the ground that they are in a position to make the most profits. In point of fact, when all the companies in a given industry have had a good move except one or two, there is almost always a sound reason why these stocks have not advanced, apart from the vagaries of the market, and this reason will probably operate to keep these particular companies from advancing no matter what other similar stocks do.

At the low prices of 1921, for instance, an investor believing that the oil industry was about to improve its position, would have had the choice, say, of buying Texas Co. common, at the low of 29, or the cheaper Middle States Oil at 10, and might possibly have picked the latter on the ground that both had reacted from highs of around 70 made during the boom, but Middle States had reacted further. At the present time, he would find his Middle States still selling around 10, while Texas Co. has not only paid dividends at the rate of $3 annually during all this time but has shown a neat market profit of about 17 points at current levels.

Even if the investor avoids all these pitfalls, however, and chooses his stock according to all the approved canons with due regard for the position of the industry, of the company in regard to the rest of the industry, considering earning power, financial position, ability to resist depression, conservative management, and the like, on the ground that the stock is selling "out of line," he may find that this stock simply refuses to respond to anything: favorable news, a generally rising market, or even a boom in other stocks in the same industry.

Several Examples

These anomalies are apt to be true of perfectly high-grade stocks, like the American Tobacco and American Telephone & Telegraph instances referred to previously. To show how it works out in specific cases, let us look more closely at a few of the stocks listed in the accompanying:

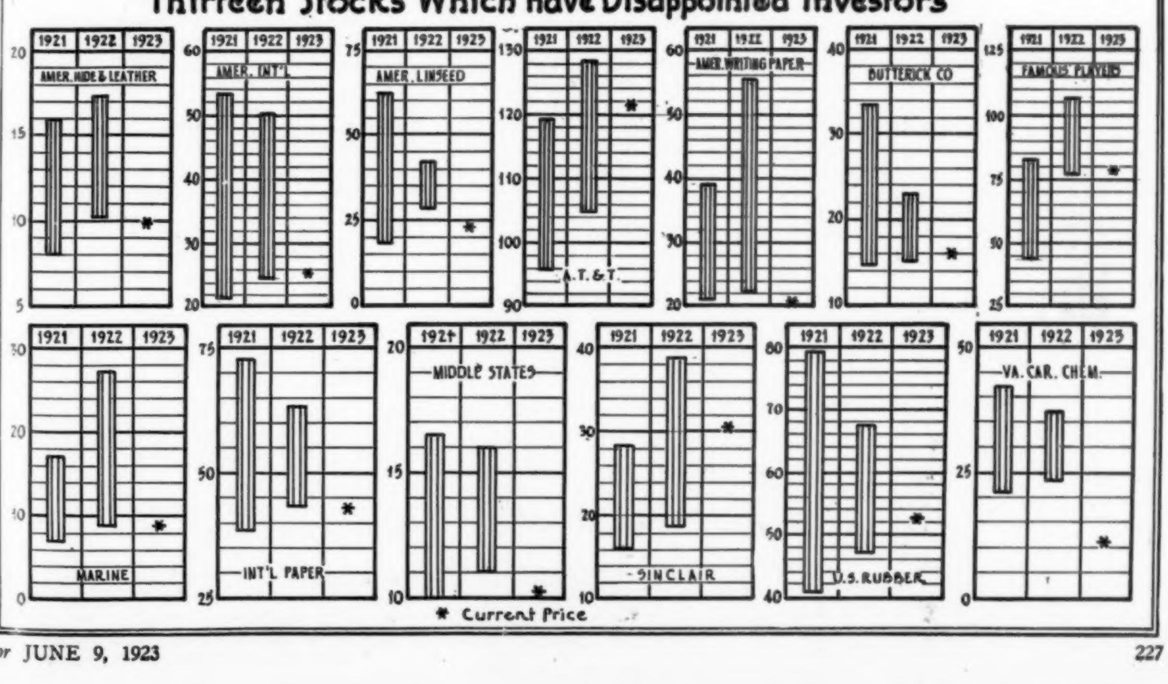
BUTTERICK, for instance, except for a few years during the war, was known as a steady earner, averaging some $3-$4 a share per year. From 1920 on it has earned successively $1.60, $5.23 and $3.42 in three successive years. Since the dividend was passed in 1916 the company has earned close to $2 a share, or more, every year, but the dividend has not yet been reestablished. In the meantime, as one might expect, sound asset values have been built up behind the stock, working capital at the end of last year amounting to $14 a share while the surplus account was increased by 1.6 millions from the end of 1916.

The long postponement of dividends, however, and lack of active market sponsorship, have prevented the stock from reflecting in market prices its sound financial and earnings position. Had the stock been bought at the lowest point it reached in 1916, after the announcement of the passing of the dividend, and held, it would be sold nominally at the same price today, but including the cost of carrying the stock, which has paid no dividends in this time, the transaction would have shown an absolute loss. This may have increased the unwillingness of holders to keep the stock once it was clear that dividends would not be paid in the immediate future.

FAMOUS PLAYERS-LASKY'S career as a market disappointment is of more recent date and is not complicated by dividend considerations. The common has been on an $8 basis since 1919, and has earned in the four years since then the following amounts per share: $15.24, $19.61, $17.55 and $13.49. It is especially to be remarked that the company's earnings fell off very little during the depression year 1921, an indication of the fundamental strength of the industry. In addition to the demonstrated earning power, the company is known to be the largest single factor in its industry, combining all the phases of production, distribution and exhibition, and is believed to control half the "movie" seating capacity of the country.

(*Please turn to page* 265)

Thirteen Stocks Which Have Disappointed Investors

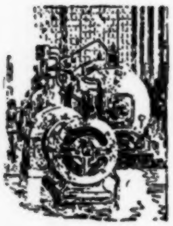


* Current Price

Recently Listed Securities

The Second of a Series Describing and Analyzing Newly Listed Stocks

By FRED L. KURR



IN the first article of this series, it was pointed out that many of the securities recently listed on the New York Stock Exchange possess genuine merit. However, as they are still unseasoned and have a relatively narrow market, it is not desirable to make purchases at the present time. This view is accentuated by the current reactionary trend of the general market. In the previous article, seven of these newly-listed issues were discussed. In the present article, five are analyzed. Future issues of THE MAGAZINE OF WALL STREET will deal with more of these companies.

HAYES WHEEL Hayes Wheel is the largest manufacturer of automobile wheels of every description and supplies nearly half of all the automobile wheels used in this country. It has five plants which are advantageously located in automobile manufacturing centers, thus enabling economical distribution. Present production of all plants is at the rate of twenty thousand wheels a day.

Operations of the company have been on a profitable basis from its inception in 1908, and the earning power has shown a steadily increasing tendency. Average net earnings for the past eight years after deducting all charges and Federal taxes figured at current rates, were equal to $3.30 a share on the present outstanding common stock. In 1922, the company earned $5.79 a share and earnings for the first quarter of 1923 were equal to approximately $2.00 a share or at the rate of $8.00 per share per annum.

The present dividend rate of $3 per share appears to be well protected when it is considered that in the past eight years earnings averaged in excess of this amount. In view of the remarkable growth of the automobile industry, it is natural to presume that earnings of the company over a period of years will now average considerably more.

The balance sheet discloses an excellent financial condition with no bank loans and ratio of current assets to current liabilities 3 to 1. The company carries goodwill, patents and trade-marks on the balance sheet at $1.00. Book value of the stock is $28.00 a share.

WEST PENN The West Penn Company is a holding company controlled by the American Water Works & Electric. The latter owns $4,668,500 of its $8,500,000 6% cumulative preferred stock and 163,440 shares of its 225,000 shares of common stock. West Penn Company's subsidiaries operate in Western Pennsylvania, West Virginia, Pennsylvania and to a small extent in Maryand.

The business of the company has shown a steady expansion for the past several years. The number of consumers in 1922 was 91,789 which compares with 48,783 in 1918. Total output in 1922 was 742 million k.w. hours comparing with 445 million k.w. hours in 1918. This increase in business has been accompanied by a steadily increasing earning power. Net income available for dividends in 1922 was $1,743,086 equal to $5.60 per share on the present outstanding common stock. This is the best report in the history of the company, earnings being more than double the results shown in 1918. The current year, however, bids fair to exceed this good showing, as earnings reported thus far have been substantially in excess of the 1922 figures.

Working capital as shown in the consolidated balance sheet as of December 31, 1922, was small, only $162,000, but there has since been sold by a subsidiary company, the West Penn Power Co., $6,000,000 first mortgage 5% gold bonds. This has provided the company with ample funds for working capital providing for the installation of sixty thousand k.w. of additional generating capacity at Windsor, West Virginia, and an extension to Springdale Station to include thirty-five thousand k.w. additional capacity.

A subsidiary, the West Virginia Power & Transmission Co., owns approximately ten thousand acres on the Cheat River, these holdings including practically all of the fall of the river. It is expected that work will be resumed shortly on this hydro-electric development which, when completed, may prove to be an important source or revenue to the West Penn Company.

West Penn Company's properties have demonstrated a very rapid growth and there appears to be good ground for believing that the business of the company will continue to expand. **At the present time the stock is only paying dividends at the rate of $2.00 per share per annum, but the current rate of earnings apparently warrant more liberal dividend disbursements.**

AUTO-KNITTER HOSIERY Auto-Knitter Hosiery manufactures and sells for domestic use hand-operated knitting machines, and also sells yarn to the purchasers of the machine and buys the finished hosiery from them which it resells to the trade. The company started business in 1915 and sales have approximately doubled each year up to 1922 when they reached $2,491,273.

Net earnings before deducting Federal Income Tax for 1922 were equal to $5.59 per share on the 100,000 shares of no par value stock. In 1921, net earnings before Federal taxes were equal to $4.52 per share on the present outstanding stock and after Federal taxes, equal to $3.43 per share. Previous to 1921, the company had not swung into its full stride and net earnings were insignificant. Earnings for 1920 were equal to 15c a share on the present outstanding stock.

Balance sheet as of December 31, 1922, disclosed a good financial condition, the company being entirely free of bank loans and working capital amounting to over $400,000. Net tangible assets as of December 31, 1922, however, were only equal to $7.77 a share.

The stock must be regarded as highly speculative, as the company has only demonstrated a substantial earning power in the past two years and the asset

FIVE RECENTLY LISTED SECURITIES

	Capitalization					Price Range Since Listing			
	Bonds	Preferred	Common (No. of Shs.)	Working Capital	*Earned on Common	High	Low	Present Price	Dividend Rate
Auto-Knitter Hosiery	....	....	100,000	$407,250	$5.59	28¼	22¾	23	3
Cuban Dominion Sugar	$6,492,000	$7,710,700	1,019,522	3,714,645	def.	12¼	6⅜	7	..
Hayes Wheel	1,432,000	....	200,000	2,423,152	5.79	44	34¼	36	3
Independent Oil & Gas	....	....	450,000	750,000	3.70	11¼	8½	9	..
West Penn	‡64,339,825	8,054,700	225,000	162,175	5.60	52⅝	38¼	51	2

* Dollars per share earned on common stock on basis of present capitalization.
‡ As of December 31, 1922, including subsidiaries.

value of the stock is low. As a speculation, however, it is not without possibilities in view of the substantial earning power shown in 1922 and the fact that current earnings are running at an annual rate of close to $7.00 a share. The present prosperity of the company has been due to the success of an idea, namely, that a public demand could be created for machines to make hosiery and knit wear in the home. Whether this idea will become increasingly popular or whether it is a novelty that will wear off, the future will have to decide.

INDEPENDENT OIL AND GAS The properties of Independent Oil & Gas Company are located in the mid-continent field and are immediately available to pipe line connections. There are 120 producing oil wells with a present settled and semi-settled net daily production of over 2,550 barrels. An aggressive development campaign is being conducted by the company and twenty-two new wells are drilling at the present time. The management estimates that production for 1923 will average around four thousand barrels daily. The oil produced is high-grade, average gravity being 38-41 degrees Baume. This product by reason of its high gasoline content commands a premium over the posted rate.

Net earnings before depreciation and depletion for 1922 totalled $2,225,000 and after charging off depletion, depreciation and all charges were $1,666,000, equal to $3.70 a share on the stock now outstanding. For the three months ended March 31, 1923, net income after deducting depreciation and depletion was equal to 52c a share on the stock.

Balance sheet as of March 31, 1923, shows an excellent financial condition, the company being entirely free of bank loans, and working capital $750,000. The value of the company's properties have recently been appraised by reputable engineers at four million dollars at which figure they are carried on the balance sheet, giving the stock a book value of $11.25 a share.

In view of the good earning power demonstrated, the sound financial condition of the company and the location of the property in a field which experts generally agree will be long lived, the stock at present levels of around 9 is not without good speculative possibilities.

CUBAN DOMINION SUGAR Cuban Dominion Sugar Company was organized to acquire all of the assets of the Cuban Dominion Sugar Development Syndicate. The latter was organized in 1920 and acquired four developed sugar producing properties, the Santa Ana Sugar Company, the Compania Azucarera Dominicana and the Barahona Sugar Company. The Compania Azucarera Dominicana owns two sugar factories in the Dominican Republic with a combined annual capacity of approximately 320,000 bags of sugar. The Santa Ana Sugar Company owns two sugar factories in the Province of Oriente, Cuba, with a combined annual capacity of approximately 290,000 bags of sugar. The Barahona Sugar Company owns through its subsidiaries 45,000 acres of land in the Dominican Republic and a modern sugar factory.

It has an irrigation system completed to cover a cane area of 13,000 acres of which 9,000 acres are ready for harvesting. At the present time, 17,000 acres are available for planting. Ultimately, this property is expected to have a production of 500,000 bags of sugar, but it may be some years before this production is reached, as planting facilities will have to be increased.

The sugar estates of these controlled companies produced from the 1921-22 crop 564,920 bags of sugar (exclusive of that delivered to colonos) of which 240,944 bags were manufactured by the Santa Ana Sugar Company at an average cost of 1.92c per pound and 223,156 bags were manufactured by the Compania Azucarera Dominicana at an average cost of 1.72c per pound. The Barahona Sugar Company contributed little to earnings, as the factory was only operating at 20% capacity and the yield of sugar per ton of cane was low.

The consolidated income account for the year ended September 30, 1922, showed an operating loss of $115,161. The output for the 1922-23 crop is estimated at 700,000 bags and in view of the much higher prices prevailing for sugar, a substantial profit will undoubtedly be shown in the current fiscal year.

Balance sheet as of September 30, 1922, showed 6.3 million current assets as against 2.6 million current liabilities. The company has $500,000 notes due June 30, 1923, and $500,000 due June 30, 1924. In addition there are $2,176,766 notes due 1932 of which $217,676 must be retired August 1st, each year. There is $7,710,700 8% non-cumulative preferred stock outstanding on which dividends at the rate of 8% will have to be paid before the common can receive anything. Moreover, the company can well afford to spend considerable sums on further development of its property. **Under these circumstances, it can readily be seen that the common stock is far removed from dividends and while it may have long pull possibilities, there does not appear to be anything attractive in it at this time.** The 8% preferred stock at present levels of around 46 is also in a speculative position, for this issue is non-cumulative and the company may decide not to pay dividend until the improvements planned for its properties are completed.

If the Decline Goes Further— WATCH THESE STOCKS!

(*Continued from page 222*)

and the prospects are for considerably larger payments in years to come.

RAILWAY STEEL SPRING

Railway Steel Spring piled up very large profits during the war period, and as it was conservative in dividend payments and did not go in for plant expansion, these profits are now represented in the balance sheet of the company by liquid assets, consisting of marketable stocks and bonds. As of December 31, 1922, marketable securities totalled 8.6 millions. This is a very remarkable showing when it is considered that the capitalization of the company is small. There is 13½ millions preferred and 13½ millions common stock outstanding and no funded debt. **The value of the marketable securities is equivalent to 8 years dividends on the common stock at the present rate of 8%.**

The company is engaged in the production of steel springs for cars and locomotives, steel-tired car wheels, locomotive and car-wheel tires, and other equipment specialties. Even in periods of depression there is a steady demand for the company's products, and in the past ten years Railway Steel Spring has never reported an operating loss. Its plants are very active at the present time, and the outlook is for continued good business for some time to come.

TEXAS COMPANY

Texas Company is one of the most important factors in the oil industry and compares favorably with the strongest Standard Oil companies. It is a complete operating unit, as it produces, refines and distributes its products throughout the country. Although the stock has had a substantial advance in price in the past several years, it is not selling at an inflated value even at present prices.

Texas Company has put back into its property a large percentage of its surplus earnings, and net tangible assets are in excess of $50 a share. Despite the fact that in 1922 the company paid off 27.7 millions 7% notes out of current cash assets, it is still in strong financial condition, with a working capital of around 111 millions.

Texas Company owns directly, or by lease, oil lands in Texas, Louisiana, Oklahoma, Kansas, Wyoming and Mexico, which in 1922 produced over 20 million barrels of oil. It has in operation in Oklahoma, Louisiana and Texas eighteen gasoline plants for the production of gasoline from natural gas, with a daily capacity of 55 thousand gallons. Its refineries are located throughout the United States and have a daily combined capacity in excess of 100 thousand barrels. Its pipe line system operates 2,538 miles in Texas and Oklahoma. It operates a fleet of ships with 160 thousand ton net weight, 5,000 tank cars, and has storage capacity for approximately 50 million barrels of oil. Additional installations will increase production of gasoline this year by 40% over the eight million barrels of gasoline it made in 1922, and it is expected that in 1924 gasoline production will reach 14 million barrels.

The stock is one of the best repre-

(*Please turn to page 276*)

Building Your Future Income

For the man with his first five hundred dollars

Yourself

YOUR worst enemy or your best friend, the one who makes you or breaks you, who leads you toward wealth and financial security, or else plunges you deeper and deeper into poverty and despair—

The one who decides how much—or how little—you shall know; in whose hands it lies whether you shall be savant—or fool—

Who regulates your earning power, builds up your wages, salary or commissions—or permits them to remain unchanging—or lets them sag lower and lower—until, at length, the power to earn disappears entirely—

Whom you must rely on to decide whether a part of what you earn shall remain unspent, as a bulwark against evil days and the turns and twists of fortune, or whether, instead, no part shall remain unspent and you, therefore, become weaponless and resourceless—a certain victim even in **little** crisis—

In whose hands, finally, rests the disposition of your capital—the decision as to how that capital shall be employed, the authority—the final authority—to employ it wisely, expediently, adroitly and with enterprise, or to scatter it to the four winds in aimless purchases, to no sound purpose and with no regard for the future.

Evil Genius or Good—he is one or the other, this Being who holds the reins of your destinies and guides you to your final station—Evil Genius or Good, and all according to whether—

All according to whether You control Yourself, or Yourself controls You!

Have You Nine Good Friends?

How Ten Men Are Forging Ahead

A Joint-Action Plan for Attaining Financial Independence

By J. L. Monarch

AFTER having read some of the excellent articles in The Magazine, ten men working in the same building (myself included) determined to pool our slender resources and attempt to participate in the era of prosperity which we had become convinced was just ahead. We had never heard of the Investment Trust as practised in Great Britain, which was referred to in The Magazine, but we had an idea and a desire to make profitable investments.

All of Modest Means

We are all men of modest incomes and inexperienced in the stock market. We concluded, therefore, that by pooling our resources and pooling the information each should acquire through intensive reading, we would be infinitely better equipped to make intelligent investments.

Articles of agreement were drawn up, semi-monthly payments provided for (on pay days) and a Manager selected from our number to handle the funds. A bank account was opened and arrangements made to make purchases through the bank on promissory notes representing 75% of the purchase price, we making an initial payment of 25%. Securities are issued in the name of the Manager and held by the bank as collateral. Dividend checks are received directly from the companies whose securities we purchase. This arrangement has been found very satisfactory and we have not had to worry about the responsibility and reliability of our broker. We have been able to take profits from time to time—and there have been some to take.

What They Pay In Apiece

Each member pays $7.50 per month, giving us a "working capital" of $75 per month. As soon as sufficient funds were accumulated, we bought Allis Chalmers @ 34⅛ and Middle States Oil @ 14. After another "accumulation period" we bought Kennecott Copper @ 25⅛, General Motors @ 10⅞ and Pond Creek Coal @ 15⅛. We have taken a profit on Allis Chalmers, which we sold @ 45½ and on Kennecott Copper which we sold @ 29½. With the proceeds of these sales, we have bought Westinghouse Electric & Mfg. Co. and Owens Bottle. The other stocks we are still holding and we are confident that we will ultimately realize a profit on each before many more weeks have passed. The profits are turned back into "the business" for reinvestment, although in each case we have the option, under our "Articles of Agreement," of distributing them in cash to the members. So far, we have not declared any dividends, but have used the profits to increase our working capital.

It will be noted that thus far we have confined our purchases to low-priced issues, that we have diversified as to industry and locality and that in all but one instance we have purchased only dividend-paying securities.

Thus far we all feel amply repaid by the progress we have made and hope that, as we grow more experienced and "market-wise," we will be enabled to make still more profitable investments. We have secured a cheap education we feel and have all realized additional and valuable profits in the information we have acquired.

Providing for Withdrawals

Provision is made for the withdrawal of any individual member by the surrender of his "certificate" (which is issued to each member by the Manager) and by the payment to him of his proportionate share of all securities and moneys of the Association, less a penalty of 2%. If the funds available to make this payment are insufficient to permit the Manager to pay the withdrawing member in cash, provision is made for the issuance of a promissory note, without interest, by the Manager, to run for the period necessary for the accumulation of the cash, without, however, defaulting on any payments due on outstanding notes. The surrendered certificate may then be either cancelled or resold, at the option of the Association.

We have read our "Bible" (The Magazine of Wall Street) and have then held meetings and exchanged information and ideas. These meetings have been particularly profitable and helpful to us and are a regular part of our program. We aim to assign certain industries and certain individual stocks to each member, whose duty it will be to inform himself fully in relation thereto and then give the Association the benefit of his information and judgment. We will thus become an Association of "specialists" and we expect to derive great benefit from this plan.

End of Year	Collected From Each Member	Total Collected	Amount of Stock Controlled	Individual Share of Stock Controlled
1	$90	$900	$1,800	$180
2	180	1,800	3,600	360
3	270	2,700	5,400	540
4	360	3,600	7,200	720
5	450	4,500	9,000	900
6	540	5,400	10,800	1,080
7	630	6,300	12,600	1,260
8	720	7,200	14,400	1,440
9	810	8,100	16,200	1,620
10	900	9,000	18,000	1,800

THE WAY THE PLAN WORKS OUT

"The above figures, of course, do not take profits into account. We hope and expect that there will be profits and they will doubtless be 'plowed back' into 'the business' and the figures given in the last two columns will be accordingly increased."

An Idea That Should Spread

The Investment Association idea should commend itself to any group of men who wish to improve their minds and their finances and we are satisfied that both of these results can be obtained by this plan. The details of this plan, as regards the number of members and the amount of money invested, may be varied at will to suit the desires and circumstances of the individual members. I would suggest, however, that the best results would be obtained by limiting the membership. There should not be more than ten, at the most, and I believe that a smaller number would be better.

Seventy-five dollars a month for one year will amount to $900. We figure that the monthly payments on our purchases, together with carrying charges, will only permit us to use 50% of our collections as initial payments on purchases, so that $900, plus the money borrowed from the bank, will enable us to control $1,800 worth of securities at the end of the first year. The only expenses are the brokerage and interest on loans, which together will amount to slightly more than 6% on the debit balance. If we invest in securities which will yield us 7% or more on the market price, and which in addition will offer possibilities for market profit, we feel that our plan will prove worth while.

The results which may be attained are readily apparent by applying the multiplication table to the figures shown above. It will figure out as shown in the accompanying table.

Why Do You Work?

If It's Partly in the Interests of Those Dependent Upon You, This Article May Be of Interest

BY RALPH RUSHMORE

What Taxation Did to Some Typical Estates

Following is a summarization based in part upon a survey by Dan Nelson of Minneapolis, which survey, in its complete form, is copyrighted by him and represents the findings of lengthy investigation in the archives of the Surrogate Courts of New York State.

(In Thousands of Dollars)

	Net Estate	*Deductions	(%) Deductions of Net Estate	Cash on Hand	(%) Cash of Deductions
Bostwick, Helen C.......	$28,217	$9,035	32	$2,215	22
Bourne, Fredk. G.........	42,829	12,843	30	441	3
Cahoon, Edw. D..........	838	117	14	22	18
Campbell, Danl. J........	275	39	14	4	10
Cochrane, Arthur D......	629	84	13	11	11
Creevey, John K.........	264	29	11	2	7
Crimmins, John D........	4,767	876	18	111	14
Cruikshank, Edwin A.....	1,212	162	13	20	12
Davies, Julien T..........	1,242	212	17	8	3
de Beixedon, Danl. K.....	787	87	11	8	9
Dickey, Chas. D..........	2,759	524	19	19	3
Duncan, Alex. B.........	556	69	12	18	26
Gardiner, Robert A.......	1,498	227	15	83	36
Gautier, Dudley G.........	1,062	267	25	79	29
Gawtry, Harrison E......	839	118	14	11	9
Gillet, Lorenzo M........	387	68	18	9	13
Gurnee, Walter J.........	3,495	728	21	5	0.6
Hegeman, John R.........	3,295	655	20	29	4
Joost, Martin...............	588	84	14	11	13
Langley, Wm. H.........	400	82	20	7	8
Lawrence, Frank R.......	266	24	9	4	16
MacKelvie, Neil B.......	1,475	285	19	18	7
Newman, Wm. H........	786	138	18	19	14
Ollive, Thomas S.........	276	38	14	1	2
Olyphant, Robt. M.......	582	74	13	18	23
Owens, Richard K........	493	59	12	1	2
Procter, Harley T........	3,674	754	20	63	8
Remsen, Charles	1,341	153	11	49	32
Richmond, Stacy C.......	440	77	17	28	36
Roosevelt, Theodore	957	131	14	3	2
Scharman, Herman B.....	511	60	12	1	1
Schmelzel, Geo.	400	41	10	10	24
Shonts, Theo. P.........	289	117	40	4	3
Smithers, Francis B......	3,230	580	18	34	6
Thomas, Fredk. C........	944	100	10	21	21
Wheeler, Chas. W........	1,505	280	18	6	2

*** Deductions include Administration Expense, Federal Estate Tax, New York State Inheritance Tax, and other taxes.**

LET'S get straightened out on one point, first: Why do you work?

If you work simply for the sake of earning enough to support and enjoy life today, what is to follow won't interest you.

If you work simply for the sake of earning enough to guarantee a comfortable old age, what is to follow won't interest you either.

But if you work not only for the two purposes listed above but also so that there may pass on to your dependents, when the time comes, property that will meet their needs and which, furthermore, will not be diminished after your death by avoidable causes, then what is to follow may interest you very much.

Be Careful Whom You Name

In the first place, experience has shown that it won't be the part of wisdom for you to name an individual as executor of your estate. For, if you *do* name an individual in that capacity, any one of a number of things may happen to defeat the purposes of your estate-building and of your will.

Individual executors may—and often do—become incapacitated before the time comes for them to act. Result: The court names an executor, often one who has not the interests of the estate properly at heart.

Individual executors may—and often do—prove dishonest. The temptations surrounding executorship are many and varied. Or they may—and often do—prove incompetent. The duties involved in executorship are numerous and complex. Result: Your estate, intentionally or unintentionally, may be mishandled, with corresponding disadvantage to your heirs.

The way out, of course, is to name an *organization* as your executor—obviously, a Trust Company, which is the one organization formed for this purpose above all others. Such an organization cannot die. Its integrity is unassailable. Its professional knowledge is unlimited. It is skilled in the office of executor. Its fees are limited by law. With it as your executor, your estate will be asusred of expert handling and your heirs assured of full value.

Another Precaution to Take

Beside the above, there is another precaution you may well take if you wish to secure your estate for the benefit of your heirs. That is to protect it, by such means as are available, against the inroads which modern estate, inheritance and transfer taxes are certain to make upon it, unless such protection is secured.

You of course know that these taxes exist—that taxes under these names are levied upon estates and inheritances and transfers of property. But did you ever stop to consider their enormity?

The late Mrs. Helen C. Bostwick, widow of Jabez Bostwick, a multi-millionaire, died three years ago. Her net estate, after discharge of indebtedness, amounted to twenty-eight million dollars. But, after administration expenses and federal, state and other taxes had been assessed against it, that estate was nine million dollars smaller. *The deductions specified amounted to nearly 32% of the net estate!*

Take another case: Mr. Theodore P. Shonts, president of the Interborough Rapid Transit Co., and director of many other corporations, died in 1919, leaving a net estate of $289,000. *The deductions charged to that estate, on account of administration fees and taxes, amouted to* $117,000, *or nearly 40% of the total.*

Some other specific examples, showing the tremendous inroads upon estates made by administration fees and taxes, are collected in a table herewith.

Not the Only Reason

The imminence of administration expenses, estate and inheritance taxes is not, in itself, the only reason for precautionary measures. There is an additional reason—one equally vital—to consider. That reason is that the average estate, whatever its size, does not contain enough immediate cash to meet the cash demands upon it, although those demands must be met with-

MILLIKEN SECURITIES TO BE SOLD AT ONCE

Permission Granted Executors to Raise Cash to Pay Debts

Permission was granted yesterday by the Probate Court of St. Louis for the sale of stocks, bonds and other securities belonging to the estate of John T. Milliken to meet the payment of debts.

A petition asking that the court allow the sale was filed yesterday by Dr. H. W. Loeb, John G. Lonsdale and the National Bank of Commerce, executors of the estate. The petition stated that Milliken died leaving a comparativly small amount of cash, by no means sufficient to pay the claims of the first class or to meet the expenses of administration, and that there were certain debts secured by the pledge of various securities.

Permission was asked to sell all or any part of the personal assets of the estate to obtain the necessary cash for the immediate requirements of administration and the payment of obligations.

Virgil Harris, trust officer of the National Bank of Commerce, stated that what was desired was the power to sell securities in administering the estate to the best advantage. —*"GLOBE-DEMOCRAT,"* Feb. 15.

in a specified time after the event which occasions them occurs.

Most people do not feel justified, you see, or would not care, to keep their surplus funds largely in the form of cash. By so doing, of course, they would have to forego the advantages contained in investment securities, real estate mortgages, and so forth. Indeed, if the specific examples cited in our table are any criterion (and I think they are) most people keep only a very small portion of their assets in cash form. Glance at the table again: The estate having the largest proportionate amount of cash, as compared with the unavoidable deductions, appears to have been that of the late Stacy C. Richmond (partner in the banking firm of Winslow Lanier); but, notwithstanding that this estate did have the largest proportionate supply of cash, the cash holdings still amounted to only a little over one-third of the unavoidable deductions. Most of the other cases in our exhibit had less than 20% of the deductions in the form of cash, not a few of them had only 1% or 2% of the total.

Couple the fact that large supplies of cash are necessary to promptly meet death duties with the fact that most estates include only small supplies of cash and you have an inevitable conclusion: *That the best interests of the estate can only be conserved by improvising, or ferreting out, some form of protection against, or provision for, this cash requirement.*

Liquidation Won't Help

It is not correct, I believe, to say that the average estate's lack of cash can easily be made up through liquidation of some of its property assets, or security holdings. Such liquidation, nine times out of ten, becomes *forced* liquidation, and is often attended by many disadvantages to the parties concerned.

Suppose, for instance, that the estate consists largely of security-holdings and that, when the time comes for cash to be realized through sale of those securities, the investment price-level is below normal: In such case, the forced sale will mean a corresponding loss to the value of the estate. Or suppose that the holdings of the estate consist largely of choice investments, of a sort difficult, or impossible, to duplicate: Then liquidation for the sake of cash will entail the sacrifice of these choice investments. Or suppose the estate represents, for the most part, control of a business whose value largely depends upon maintenance of that control, or which control it is most undesirable to release; or suppose that it represents real-estate holdings which, at forced sale, would have to go at panic prices; or suppose any one of a thousand other circumstances and contingencies of the sort experience proves nearly always arise when least desired: Always the necessity of raising cash will operate to the disadvantage of the estate, the degree of disadvantage being the only open question.

What Is the Way Out?

Now, let me picture you as saying: "All right—I grant you that inheritance taxes and the necessity of raising cash to discharge them are likely to be onerous, and that if there is any way to provide for them, or protect my estate against them, that way should be adopted. But what way is there?"

The answer is Inheritance Insurance—an insurance policy, simply, taken out for the specific purpose of producing the cash needed when the demand for that cash arises.

How much Inheritance Insurance to take out will vary with the size of the estate and the existing tax rates. You yourself, of course, will have to answer the first question. So far as the Federal Estate Tax (only one of the taxes involved) is concerned, the other table herewith will help you estimate that.

The point is that, for the best interests of your estate and the beneficiaries named under it, Inheritance Insurance is needed—insurance which "makes the event that produces the tax create the cash to pay the tax."

Note, that on the Estate Tax there is a general exemption on the first $50,000, and that on Life Insurance *to a named beneficiary,* there is an exemption up to $40,000. Beyond these exemptions, however, what appears in our table will happen to your estate—and worse, perhaps, if the upward tendency in inheritance taxation continues—unless you take preventative, or precautionary, or protective measures.

INSURANCE DEPARTMENT

(*Continued on page* 281)

I have come to the distinct conclusion that by far the best, and indeed almost the only practicable way of guarding against the possible ruinous loss of a forced sale of securities, for the purpose of paying the various estate and inheritance taxes which are being imposed nowadays, both by the national and the state governments, is by means of life insurance; which for a moderate payment will insure the sum necessary to pay such taxes without the sacrifice of the securities. —*Elihu Root.*

From the "STANDARD," March 29, 1919.

How the Federal Estate Tax Figures Up on Vari-Sized Estates

In the table below, "Portion of Tax Previously Figured," represents the portion subject to a lower rate. The Estate Tax is a graduating tax, and the rate charged varies as the amount of the estate increases. The illustrations cited, in every case, represent the maximum amount taxable at the rates shown. The preliminary exemption of $50,000 is assumed.

Net Taxable Estate	Portion of Tax Previously Figured	Amount of Tax Previously Charged	New Amount Taxable	Tax Rate on New Amount (%)	Amount of New Tax	Total Estate Tax
$50,000	......	......	$50,000	1	$500	$500
150,000	$50,000	$500	100,000	2	2,000	2,500
250,000	150,000	2,500	100,000	3	3,000	5,500
450,000	250,000	5,500	200,000	4	8,000	13,500
750,000	450,000	13,500	300,000	6	18,000	31,500
1,000,000	750,000	31,500	250,000	8	20,000	51,500
1,500,000	1,000,000	51,500	500,000	10	50,000	101,500
2,000,000	1,500,000	101,500	500,000	12	60,000	161,500
3,000,000	2,000,000	161,500	1,000,000	14	140,000	301,500
4,000,000	3,000,000	301,500	1,000,000	16	160,000	461,500
5,000,000	4,000,000	461,500	1,000,000	18	180,000	641,500
8,000,000	5,000,000	641,500	3,000,000	20	600,000	1,241,500
10,000,000	8,000,000	1,241,500	2,000,000	22	440,000	1,681,500
12,000,000	10,000,000	1,681,500	2,000,000	25	500,000	2,181,500

What Marketability Means to the Investor

More About the Merits of Common Stocks as Investments—What a Series of Articles Has Attempted to Do

(This is the last of a series of articles offered here for the two-fold purpose of introducing the finance-student to the elementary facts of finance and assisting the income builder in the enterprising use of his idle funds. Previous articles in this series appeared in successive issues to date.)

IN the previous articles of this series, the attempt was made to show how important to the best interests of the investor in common stocks are the two elements of Honest and Competent Management, and Suitable Industry. Beside these two, there are many other elements to consider, whether you are studying Common Stocks as an abstract proposition or as a practical investment medium. For example:

Proximity of Earnings

The investor in Common Stocks needs to consider the *Proximity to Earnings* of the issue before him, just as in the case of Preferred Stocks. In other words, he will need to ascertain the number, if any, and the issued amount of *senior* securities which the company has outstanding. If the company in question has several millions of bonds outstanding and several millions more of preferred stocks, then, obviously, a large part of its earnings from year to year will have to go towards meeting interest and dividend requirements of these senior issues before anything can be paid on the common.

Along the same line of thought, the investor in common stocks will want to study the corporation's surplus-earnings record—its record from year to year of earnings over and above fixed charges and preferred dividends. A good record, in this respect, will be one that shows the common dividend rate amply covered over a reasonable period; a correspondingly better record will be one where the margin available for the common has ruled larger.

Importance of Marketability

Still in line with the suggestions made as to judging preferred stocks, the buyer of the so-called junior shares (Common Stocks) will be careful to satisfy himself as to the issue's marketability. Supremely important as this factor of marketability may be, and often is, it is often one of the last to be thought of. Investors have a way of looking on "marketability" as more or less of a non-essential, if, indeed, they look on it at all. As a result, cases have been extremely numerous when buyers of common stocks, which have been high-grade in all other respect, have had to take heavy losses in their commitment, due to their failure to investigate this marketability feature.

"Marketability" means, of course, the quality of being in active supply and demand. Marketability is the basis of all stock markets, their chief reason for being, the greatest purpose they serve. A stock that enjoys marketability is one that is traded in, in reasonable volume, from day to day, which, if it sells around forty-nine dollars per share (for example) will be quoted something like "49¼ @ 49¾"—that is, with only a narrow margin between the price bid for the stock and the price at which it is offered.

Where Marketability Is Lacking

A stock which does not enjoy complete marketability is one that is seldom traded in—an issue that is either closely held, or which, for various reasons, has stagnated. Quotations on such an issue will often show a "spread" (difference) of one, five, ten, or even twenty points between the bid and asked prices. The buyer of such an issue, if he has not looked into the marketability feature, is often led to buy the issue at the excessively high offered price; and then, assuming that he desires to sell out a little later, he finds himself, due to the dulness in the issue, forced to liquidate at the comparatively low bid price.

That so much space should be given to the factor of "marketability" here, and such an effort made to describe it in fully understandable terms may seem, at first blush, a trifle superfluous. Experience, however, has indicated the opposite to be true. Perhaps because it is the habit to brush over marketability as something everyone understands—something on which it is unnecessary to elaborate—the public, as we have said above, tends to underestimate its importance, if not to overlook it entirely. The extended remarks about it here are offered in the hope that they may counteract that tendency.

Conclusion

Through the successive issues of THE MAGAZINE OF WALL STREET which, to date have carried an article in the series of which this is the last, the effort has been to supply the student of finance as well as the enterprising investor with material that will suggest lines of thought and, perhaps, encourage more penetrating investigation by the reader himself.

The series began with an outline of the meaning of the terms "Economics" and "Wealth"; it carried on with an outline of the Corporation's place in modern civilization, and suggested, in outline fashion, some of the chief aspects of Corporation Finance. From there, the series dipped into the Investment World, attempting to suggest what the main factors are which control the broad swings of Investment Prices, and how the investor might best *time* his commitments—how, in other words, to catch the tides of the investment seas.

The series then undertook a subsidiary series, whose function and effort it was to describe and, although briefly, to analyze a few of the better-known and more popular forms of investment security, or investment organization. These Investment Mediums were introduced to the reader in a pre-arranged order as *steps* in a so-called "Staircase to Success"—the most fundamental, and the safest of the mediums (the Savings Bank) being covered first, and the lesserly conservative mediums being covered subsequently.

It was obvious to the writer at the time the series was undertaken (as, perhaps, it is obvious to the reader now that the series has been completed) that limitations of space would prohibit anything

INVESTORS FOR

A group of U. S. Steel Corporation "Faithfuls" who, for nearly half a century, have

much more than a sketchy treatment of the subjects covered. Finance and Economics, of course, are subjects about which volumes—libraries—have been written, and still the whole truth has not been revealed; it would have been absurd to imagine that more than a suggestion of the whole truth could be imparted here.

On the other hand, something is to be said, perhaps, in favor of any series which endeavors to *interest* the reader in the subjects covered, which encourages him to go further in his investigations, and learn from more extended sources what could hardly be presented here. That, at any rate, has been the writer's effort, and if it has been only partially successful, the work has not been futile.

The Home Builder's Best Ally

What the B. & L. Association Offers—How Its Benefits Compare with the Straight Mortgage Plan

THE B. & L. REPAYMENT PLAN

Showing Progress of a Loan of $1,000 Toward Extinction, a Payment of $10 Being Made Each Month

	Payments—How Applied		
Month	Interest	Principal	Still Due
1	$5.00	$5.00	$995.00
2	4.98	5.02	989.98
3	4.95	5.05	984.93
4	4.92	5.08	979.85
5	4.89	5.11	974.74
6	4.87	5.13	969.61
7	4.84	5.16	964.45
8	4.82	5.18	959.27
9	4.79	5.21	954.06
10	4.77	5.23	948.83
11	4.74	5.26	943.57
12	4.71	5.29	938.28
13	4.69	5.31	932.97
14	4.66	5.34	927.63
15	4.63	5.37	922.26
16	4.61	5.39	916.87
17	4.58	5.42	911.45
18	4.55	5.45	906.00
19	4.53	5.47	900.53
20	4.50	5.50	895.03
21	4.47	5.53	889.50
22	4.44	5.56	883.94
23	4.41	5.59	878.35
24	4.39	5.61	872.74

IN recent months, the Home Building page of the B Y F I Department has had occasion to print a number of articles dealing, more or less generally, with so-called "Building & Loan Associations," and particularly with the type of service offered by these associations to intending home-builders. Since the first article appeared, an unusually large number of letters has come in from readers, most of them asking for more details.

For the benefit of intending home-builders, then, who expect to build a moderate-priced home, and who desire to know just what Building & Loan offers, and just how a typical B. & L. Association would operate, we offer the following, which is a summarization of the principal features of the B. & L. plan, as operated by one of the oldest and best known associations of the kind.

On What Type of Property Loans Are Made

The Association of which we are speaking lends money on first mortgage only, never on second mortgage. It will not loan upon vacant land, and it limits its loans to dwelling houses only, preferring houses of the one-family type. Only in exceptional cases will it make loans of more than $10,000, no matter what the security. It will not loan beyond a radius of twenty-five miles from its office.

Loans are usually based upon from sixty to seventy per cent of the appraised value of the property, including both house and lot. Thus, a $7,500-house on a $1,500-lot, involving $9,000 altogether, would be entitled to a maximum loan of $6,300, or 70%.

If you are interested sufficiently in the B. & L. plan to want to know more about it, glance over the restrictions as to type of property loans may be made upon as listed above. You will note that these restrictions are directed toward two purposes: First, to safeguard the operations of the association itself, and thus safeguard the interests of the many small investors whose funds it holds; secondly, to limit its field to that of the *small home*, thereby extending its benefits principally to those most in need of aid, and also encouraging home building.

The "why" of this latter purpose must be apparent to all, but a few more words may be said about it: The B. & L. Association is a semi-philanthropic organization, just like the savings bank. It represents an organization put together and managed, generally, by men of means and position, who wish to do something constructive for their community and for the people who live in it. Believing that no more worth-while work could be undertaken than to encourage men and women to build their own homes, these men have banded together to help make home-building easier, and to protect settlers from mortgage-gougers. The B. & L. plan is their way of attaining these ends.

How the Loan Plan Works

It is in the working of a unique loan plan that the secret of B. & L. financing lies—the secret that makes it different from any other mortgage plan, and more advantageous to the builder. To those who have not taken the time to look into this "secret," it may appear highly complex, calling for advanced technical knowledge and training in order to be understood. As a matter of fact, the "secret" is as simple as A, B, C. Here it is:

The man who borrows on the B. & L. plan pays to the association the sum of $10 per month for every $1,000 he borrows. Part of that $10 per month is devoted toward reducing the principal sum of the borrowing, the rest of it goes toward paying interest on the existing principal (interest being assessed at the legal rate of 6% a year.) Obviously, the principal sum of the debt will grow smaller from month to month, reducing the interest charge; obviously, too, since the borrower must go on paying $10 per month for every $1,000 borrowed during the life of the mortgage, the proportion of that $10 which will be devoted to amortizing principal will constantly increase. It is the benefits adhering to this *constantly increasing diminishment of principal* which compose the advantages and constitute the "secret" of the B. & L. way.

The Advantages in Black and White

Just what the advantages of the B. & L. plan are in black and white may be shown as follows:

Suppose a man borrows $1,000 on B. & L. mortgage. It will take him (or so it figures out) about 11½ years to pay that mortgage off. During this 11½-year period, his total disbursements, on account of both principal and interest, will have

OVER FORTY YEARS
invested their brain and brawn in the Edgar Thomson Works of the Carnegie Steel Co.

amounted to $1,380, or at the rate of $120 a year.

Now suppose another man borrows $1,000 on straight mortgage, and that he undertakes, *by investing the money which the B. & L. man uses for amortizing purposes,* to pile up on his own account the amount needed ($1,000) to extinguish the total debt. The B. & L. man, you will remember, paid out only $120 a year. The mortgage man has to pay $60 a year on account of interest. Therefore, if the two cases are to be kept parallel, the mortgage man can be said to have only $60 a year available for investment.

Turning to our Annuities and Amortization tables, what do we find? Just this: That, in order to pile up $1,000 by investing $60 a year at the end of every year at a fixed rate (6%) of compound interest, the investor must keep at it for almost 12 years. During that time, he will have had to pay 6% on his mortgage borrowing every year, or practically $720 altogether. Hence, he will have paid out a total, both principal and interest, of nearly $1,700.

In other words, the figures show that the B. & L. man gets through quicker, and between $300 and $400 per thousand more cheaply. Furthermore, the B. & L man is *sure* of getting through, whereas the mortgage man must trust to his ability to get 6% compound interest on the $60 a year he has available for investment.

Just how the $10 per month per $1,000 which B. & L. exacts is applied is shown in a table herewith. This table only itemizes the first two years of the plan, but is thought to be sufficiently detail to clarify the point.

Special Advantages

It should not be assumed that the B. & L. borrower is bound by an iron-clad agreement in his mortgage contract which "sews him up" for the 11½-year period necessary to extinction. On the contrary, numerous special advantages are open to him. For example, if his circumstances permit him to make larger payments than $10 per month per $1,000, he may (with the association's consent) do so—thus reaching the happy state of being "all paid up" just that much quicker. Or if, after plugging away at it for a while, the B. & L. borrower suddenly has a stroke of good fortune which would enable him to meet the whole debt at once, he may do that—extinguish the entire remaining mortgage—on payment of the customary 60 days' interest required for closing a mortgage in advance of its maturity.

Expenses of Getting a Loan

As for the expenses attendant upon obtaining a loan, these cannot be more briefly or concisely described than by directly quoting B. & L. language, as follows:

The expenses of getting a loan (excepting state mortgage tax in New York) are fixed at 3½% of the amount borrowed in the case of New York loans, and 2½% of the amount borrowed in the case of New Jersey loans, except that a minimum charge of $75 is made in New York loans, and $65 on New Jersey loans. These charges cover every expense, including appraisal, searches, title policies where required, drawing and recording all legal papers, attorney's services, etc. The borrower must, however, in every instance, furnish a survey showing the location of the building on the land.

On construction loans, $35 must be added to the foregoing charges. This is to cover the drawing of building loan agreements, and extra expense due to inspections required as the building progresses and extra searches and services from the legal department at each separate advance upon the loan.

Appraiser's fees, $10, plus travelling expenses (railroad fare) of two appraisers to and from the property offered, must accompany each application. Should a loan be granted, the amount paid will be refunded on the settlement of the loan.

After the loan is granted, and before any steps are taken to make the search, the borrower will be required to advance as a "good faith deposit" a sum ranging from $25 to $100 according to the size of the loan. Should title prove defecting and the loan lapse, adjustment of the good faith deposit will be made with the borrower.

Conclusion

The Home Building Department hopes that, in the foregoing, intending home builders will find a sufficiently complete summary to enable them to determine just how helpful B. & L. co-operation can be to them—just how far B & L. service goes and what it consists of. Should there, nevertheless, be any points which have not been made clear, or been overlooked, the Department would be glad to answer letters of inquiry addressed to it.

Points for Income Builders

What Some of the More Frequently Heard Oil-Trade Expressions Mean

EACH different industry has its own stock phrases, applicable to certain steps or processes or units of measurement, etc., in that industry, as distinct from all others. Thus, in railroading we find "roadbed," meaning the man-made foundation upon which the rails are laid; "car loadings," meaning the number of freight car loads handled during a given period; "train miles," meaning the number of trains operated for one mile during a set time, etc., etc. As it is necessary to understand the meaning of such terms as these in order to make any study of individual industries, "Points for Income Builders," in this and forthcoming issues, may appropriately deal with a few of them. Starting off with the oil industry, we find, among others, the terms defined in the following:

Wildcatting

"Wildcatting" is to the oil world what "prospecting" is—or was—to the mining world. It simply covers the process of going out into territory that seems to contain promise of containing natural wealth, and drilling for results.

There is a very important difference between "wildcatting" for oil and "prospecting" for gold, however: That difference lies in the fact that, whereas all the prospector needs is a grub stake, a set of tools and the time to spare, the wildcatter needs a very large sum of money, a very complete line of machinery and a crew to help him. How much it will cost to drill a given well will depend upon the territory where the drilling is to be done, and will vary considerably with localities; however, the expense is generally very large, and often mounts up into many thousands of dollars.

A "wildcatter," or a "wildcatting expedition" have come to be terms of opprobrium in latter times, due to the inordinate number of cases where men with nothing more than a wildcatter's chances of making good (about 100 to 1, against) have inveigled small investors—the proverbial "widows and orphans"—to back them with their last remaining dollars. Of course, the wildcatters have almost always failed, the widows' and orphans' funds going to the wall with them.

Actually, there is nothing either morally or ethically wrong about wildcatting. Indeed, if the world had never had a supply of men willing to take the chances wildcatting imposes, we wouldn't be driving gasoline-burning automobiles around at the rate we are today. An outstanding example of what courageous wildcatting can do are the great petroleum enterprises backed by Mr. Doheny, which are, in the main, the fruits of years of wildcatting by one of the most dramatic figures in the petroleum world.

Gushers

Nature, in the process of secreting oil pools below ground, has a way of manufacturing gases in and around the oil which create a tremendous underground pressure. When the drilling tools have pierced through the ground down to the point where the oil is located, the casing surrounding the tools supplies an outlet for the gases as well as the liquid itself. The enormous pressure supplied by the gases forces both oil and gas up through the casing into the outer air. So great is this pressure that new wells have been known to flow, of their own force, at the rate of 75,000 and even, we believe, 100,000 barrels a day.

When this underground pressure is unusually great (as in the examples cited) the well is known as a "gusher."

(Please turn to page 264)

Some New Exposures by the I. V. C.

Fake Publications in League With Crooked Promoters

By G. W. B. WITTEN—RALPH W. BUDD, Manager, I. V. C., Inc.

SOUNDED! THE DEATH KNELL OF FRAUD!

This message is PERSONAL and IMPORTANT!

At last! Petroleum has been purged of the fraud artist, of the brigands that have brought so much ill repute on the second largest industry in the world. The industry that offers the smaller investor practically the only means of multiplying his earnings--the industry that has afforded thousands of investors happiness and independence in their sunset years of life.

Various federal agencies have given petroleum a thorough "house cleaning". They have made a searching investigation of the men in petroleum and their findings have resulted in the indictment of a number of operators that are accused of unfair and dishonest methods. Petroleum has received an immense benefit--the honest men in petroleum have received an equally great benefit but!--the investing public has received the greatest benefit.

A SAMPLE OF THE LITERATURE THEY SEND OUT

(Issued by J. A. Carlton, Trustee of the Unique Royalty Association of Fort Worth, Texas)

THE most dangerous of swindlers are women. A woman of criminal bent is often more clever at concocting a scheme for deception, and putting it into operation, than a man. We recently learned, for example, of a woman who makes a business of promoting oil stocks by the simple method of opening spiritualistic medium parlors in a number of cities. Having a confederate who opened oil brokerage houses in the same cities, she conducted seances at public meetings and also gave private seances by appointment. Whether the seances were public or private she always managed to get in contact with the spirits of departed financiers of note who always told her that the oil enterprises that were being promoted by her confederate were destined to be big money makers and advised all who could to buy the securities before the boom came.

By these clever methods and the susceptibility of those who went to her seances, she and her gang cleaned up large amounts of money in a number of cities. However, they made a practice of never staying long in one place, always packing up and moving to another city before the authorities had time to make investigation.

In one southwestern city, a group of promoters got together and organized a Chamber of Commerce in the name of that city. It was the chief duty of this Chamber of Commerce to boost the various securities that these fellows were offering to the public. In their promotion literature, they made capital of the fact that their propositions had the endorsement of the Chamber of Commerce, and needless to say they deceived thousands of people before the truth was learned.

Recently a number of so-called financial publications have sprung into existence. These all contain inquiry columns that purport to give information and guidance on any security. In most cases, this is just another clever scheme for compiling "sucker" lists. The people who unwittingly write to these publications for information invariably find that later on they receive promotion literature from different parts of the country. The writer has managed to get his name on a number of these "sucker" lists, and now very often finds himself solicited by the promoters of fake financial publications, which is fairly conclusive evidence that the swindling promoters and the promoters of these so-called financial publications are working together.

Inducing the holders of good dividend paying stocks to exchange them for worthless securities is a prevalent game just now. We have had a number of cases called to our attention recently, where persons who held good securities have been called up on the telephone and told that the company whose stock they hold are going through a reorganization, issuing new stock and that all old stock not sent in before a certain date will be assessed. These swindlers invariably represent themselves as the fiscal agents for the legitimate company, and tell the stockholders that their certificates must be endorsed and turned over to them, and that they will issue the new certificates. This scheme has been operated very successfully. The swindlers take the stocks, so endorsed and turned over to them, and dispose of them quickly in the open market, then close up their offices and disappear.

Ever since the government took action and made a few arrests among oil promoters other clever promoters have been quick to make capital out of the circumstances, and are now telling the public that all the crooks in the oil game have been arrested by the authorities, and that those who have been allowed to continue unmolested are all honest men, for if they were not the authorities would have arrested them also.

On this page is a reproduction of a statement sent out by one J. A. Carlton. The statement is open to question. Contrary to what he says, the petroleum field has *not* been purged; the purging has really only just commenced, and we are sorry to say that today there are hundreds of swindlers still at large and still circularizing the country and using any methods possible to extract money from the unsuspecting public. It is true that the Federal Government has made a few arrests of the oil swindlers, but if we can be successful in our campaign we intend that the Government shall make a great many more arrests.

Carlton's statement that the field of oil operators is now clean, and that the swindlers have been put out of business is misleading, and is apparently intended to induce unsuspecting people to believe that those who are still operating must be honest men and that investments made with them are perfectly safe.

We warn the public that this is not the case and that the public is still far from being safe in entrusting its money to a large number of oil promoters.

In the same mail in which we received Carlton's circular letter we received a circular letter of A. E. CADY, who styles himself as Sole Trustee of the CADY SMACKOVER SYNDICATE. In this circular letter, which is dated April 14, 1923, Cady states emphatically that he has made an affidavit before a Notary Public that he will pay 100% Cash Dividend to all stockholders of record on or before May 1, 1923. From our experience, such statements have often been misleading. There have, however, been instances where 100% dividends have been paid but they have been few and far between.

The idea that any concern in two weeks is going to refund every cent of money that is put into a stock is ridiculous, yet Carlton tried to tell us that the oil industry has been cleansed of frauds.

We advise caution in making commitments in any oil proposition and advise that a thorough investigation of any security that is offered is made through an adequate source.

This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

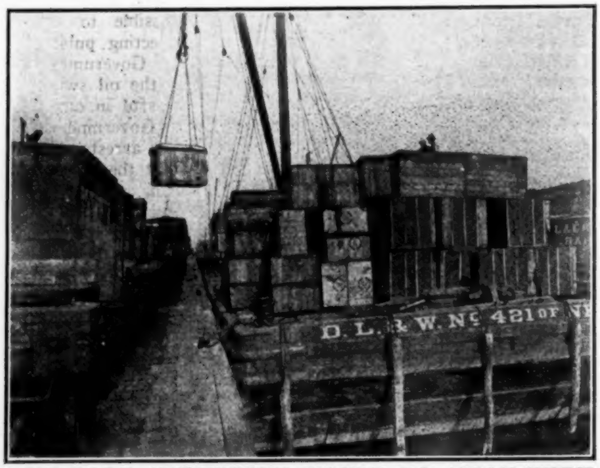
The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

Public Utilities

Just What Is This "Port Authority" Project?

What the Body Proposes to Do—How Far Its Powers Are Thought to Extend—Will It Get the Co-operation It Needs?

By W. M. GEOFFREY



THE PORT AUTHORITY WOULD DO AWAY WITH THIS INEFFICIENT PROCEDURE

By immediately installing a motor-truck service, utilizing the "container" principle, Port Authority believes that many of the steps now necessary to freight shipments could be done away with, and correspondingly more rapid and more economical results obtained.

ON a certain day in September, last year, it became desirable to dispatch a carload of linseed from Undercliff, N. J., to Bayonne—a distance, 'cross-country, of perhaps ten miles. This is what happened to the car:

Via N. Y., Susquehanna & Western it travelled to Sparta Junction. By Lehigh & Hudson it travelled to Easton. By the Lehigh Valley, thereafter, it finally reached Bayonne. It was subject to protracted delays in the yards at Little Ferry, Sparta Junction, Easton, Oak Island and Claremont.

By the time the car had reached its destination it had travelled, all told, nearly one hundred and eighty miles. It had been on the tracks, more or less headed toward Bayonne, for no less than four full days.

A man, walking from Undercliff Junction to Bayonne, could have covered the distance comfortably in three or four hours.

This, undoubtedly, was an unusual case. That is to say, driving a freight car 180 miles over a period of 4 days in order to finally bring it to a town a few minutes' distant is probably not typical of modern freight - routing methods throughout the country.

Nevertheless, the illustration does typify, in very striking fashion, the inefficient, highly inadequate and expensive condition of freight (and passenger, as well) service immediately in and around that great traffic center which is New York City; and it paints a picture the mind can easily grasp of the crying need that exists for remedial measures in this district, in the interests of shippers, carriers, and the buying public at large.

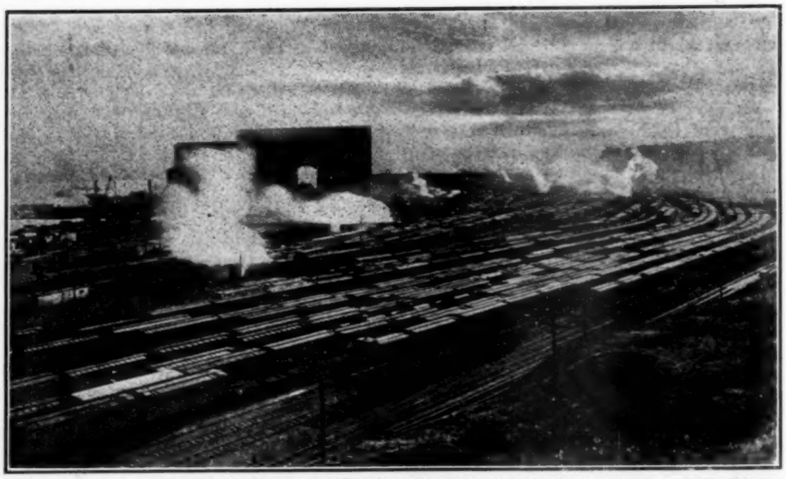
Neither the need for remedial measures nor appreciation of that need is a development of recent times. On the contrary, congestion in and around New York City, Jersey City and surrounding communities was a menacing fact and recognized as such some years ago. As far back as 1917 the Interstate Commerce Commission was led to make a study of the freight situation in the New York District, and that study resulted in some very positive conclusions, enunciated by the Commission and bearing upon the need for early action. Chief among these conclusions were:

1. That the segments and separate parts into which the Port of New York had been divided should be welded into one perfect whole.
2. That the port should be treated as a commercial and industrial unit.
3. That the division of state lines should be overcome.

And mainly that—

4. The methods of handling both domestic and export traffic must be thoroughly revised if the maximum of efficiency is to be maintained.

"The solution of the terminal problem," said the Commission, "is to be found, not in a change in the rate adjustment, but in



THE SORT OF FREIGHT CAR CONGESTION THE PORT AUTHORITY PLAN IS DESIGNED TO RELIEVE

This view is of the freight yards at Weehawken, N. J. A glance at it makes credible the incident described in the accompanying article, in which a single carload of linseed took four days to travel from Undercliff, N. J., to Bayonne, N. J., only a few miles distant

the united efforts of the people of the district and the carriers toward the improvement of conditions in which their interests are mutual."

Was a Local Problem

Nor was the need for improving conditions in the district referred to ever considered in the light of a purely local problem. On the contrary, the importance of New York Harbor and of the transportation facilities provided there, by reason of the enormous traffic passing through the district for ultimate distribution all over the world, has ever been recognized as of nation-wide, if not almost world-wide, calibre. B. F. Cresson, Chief Engineer of the Port of New York Authority, for example, points out that, through the Port of New York there passes half of the foreign commerce of the United States; he avers that the New York market fixes the price of commodities throughout a very large part of the country, wherefore whatever be done there to reduce the costs of distribution of produce within will tend to reduce costs throughout the country. Furthermore, according to Mr. Cresson, New York is one of the best customers, if not the leading customer, of the farmers and growers of the United States, buying, as it does, and for its own consumption:

45 million pounds of butter from Minnesota,
14 million pounds of cheese from Wisconsin,
3700 carloads of white potatoes from Virginia,
100 carloads of tomatoes,
200 carloads of celery, and
5000 carloads of grapes from California.
1500 carloads of peaches from Georgia, etc., etc., etc.

Previous Efforts to Reach Conclusions

During the period from 1917 to 1920, inclusive, an earnest effort was made to competently analyze the problems of the Port of New York through a body known as The New York-New Jersey Port and Harbor Development Commission, which made an intensive study of the shipping, freight and terminal jam as it already existed, and as it threatened to develop. Not until 1921, however, was any body constituted by the authorities which, by reason of its makeup, seemed to be empowered, not only to devise means of relief, but, in any large measure, to actually apply those means. Such a body was formed, and became an entity, on April 25, 1921, however, when six Commissioners took their oath of office in a commission known as the "Port of New York Authority." Among the commissioners was the present Governor of New York State.

Since the formation of the Port Authority, the body has been engaged in extended research into the problems of terminal shipping, routing and handling of freight; it has held hearings at which representatives of all interested or affected parties could express themselves; it has succeeded in effecting a treaty between the States of New York and New Jersey, ratified by Congress, which same gives life to the agreements between the two States; it has devised a very complete plan, offered in two parts, of which the first part is designed to afford immediate relief to the stress and irregularities which burden the New York Port District today, while the second part, naturally the more comprehensive, is designed to afford permanent relief.

Just what the Port of New York Authority plans to accomplish, why it has made these plans, what its powers to put those plans into effect happen to be, and how successful it has been in securing the co-operation of parties immediately affected are matters of keen interest to business men throughout the country today. Insofar as it proves possible to compress this information into the brief space available, the attempt will be made here.

What the Port Authority Plans to Do, and Why

The broad purposes toward which the Port Authority, with the sanction of New York, New Jersey and the federal government, is striving for may be summarized as follows:

First, and so far as it proves economically practicable, to unify the terminal operations within the port district.

Secondly, to consolidate shipments at proper classification points, so as to eliminate duplication of effort, inefficient loading of equipment, and realize reduction in expenses.

Thirdly, to route all commodity-shipments in such

(*Please turn to page* 284)

Courtesy of the Brooklyn Eagle.

THE FIRST UNIFICATION STEP IN THE PORT AUTHORITY PLAN

"We are convinced that the development of marginal line No. 13 is the first step," said Counsel Julius H. Cohen, at the recent concurrent hearings, "Marginal Belt Line No. 13 is that connecting link on the New Jersey side of the Port District which is thus described in the comprehensive plan:

> **"A marginal railroad extending along the westerly side of the Hudson river and the Upper New York Bay. It is made up mostly of existing lines—the Erie Terminals, Jersey Junction, Hoboken Shore, and National Docks railroads. It is to be improved and added to where necessary. This line, connected with middle belt line (No. 1), and operated as a belt line, will serve the waterfront and open up territory for commercial and industrial development. It has a length of approximately sixteen and one-half miles of which about fifteen miles now exist."**

American Express Company

Segregation Story an Idle Rumor

Abandonment of "Plan" Assigned as Reason for Decline of Shares—Stock Now Shows Fair Yield

By JAMES N. PAUL

PERIODICALLY, American Express Co. shares are run up rapidly, accompanied by a story to the effect that the company is planning to segregate its different activities, with the assumption that shareholders will be the recipients of numerous benefits as a result. The usual story is that the company is planning to segregate its lucrative banking business, abroad chiefly, from its other activities. When the stock sold down to below 120 only recently, the Street was quick to assign a reason and this was to the effect that the so-called "plan" had been abandoned. Further discussion of this segregation and its probabilities will be given later in this article.

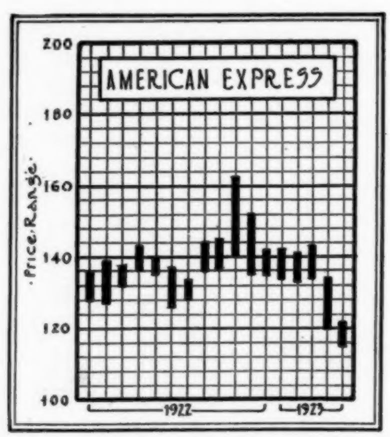
Of the three large express companies, no longer operating companies to any great extent, American Express Co. seems to be in the best position of any. Wells-Fargo, its one-time contemporary, seems to have developed into a liquidating proposition while Adams Express is doing little other than drawing down dividends and interest payments on securities owned. American Express Co. with its valuable foreign banking business, can still legitimately be called an express company and it still has a demonstrated earning power of no small means aside from interest and dividends which it receives.

Eliminating Wells-Fargo as a liquidating proposition, American Express Co. stock seems to be much more attractive than Adams, both from the viewpoint of outlook for future earnings, past record and possibilities. Only recently the stock sold down below 120 where with the $8 annual dividend a yield of about 7% is given. In view of the fact that company has not missed paying dividends for more than forty years, it should offer ultimate possibilities of enhancement in value as a business man's speculative investment. On the other hand, Adams Express, which eliminated dividends from 1918 to 1922, pays only $4 annually and sells around 70 though there has been talk which seems well founded that dividend rate will shortly be raised to $5 annually.

Amer. Ry. Express Holdings

In common with both Adams Express and Wells-Fargo, American Express derives a considerable income from holdings of stock in the American Railway Express Co., this being the operating company when the three organizations under the stress of war-time conditions merged their properties for more economical operation. Incidentally, the American Co. is the largest stockholder owning 12.3 millions of the capital stock on which it receives dividends at the rate of 6% annually. The company receives each year from this source in dividends approximately $738,000. This is equal to approximately $4 a share on the total amount of American Express stock outstanding and seems an assured source of income as the operating company now seems to be in a position where is can show good earnings.

American Railway Express operated unprofitably in 1920 but demonstrated in 1921 and 1922 that it could make money. Net available for dividends in 1921 amounted to 2.3 millions of dollars whereas dividend payments required 1.5 millions. These are the latest figures available but it is anticipated that the 1922



figures were somewhat better than those of the pervious year. To sum up the whole situation in regard to the operating company, there does not now seem to be reason to doubt but that it can continue to show good earnings and maintain dividends on the stock. The condition of American Railway Express Co. is obviously of vital importance in any discussion of the affairs of the so-called express companies as they depend for a good part of their income upon dividends.

Earnings

American Express Co. is one of the few which do not publish annual reports. This is occasioned by the fact that it is a voluntary association and not incorporated. The only figures available are those which are furnished to statistical organizations late in the year, and 1922 earnings are not yet available.

While the company in past years has enjoyed an exceptional earnings record, other than the fact that they strengthened the financial position, they are of no moment now and furnish no means of gaugeing present earning power. Up to 1918 the company was an operating company almost entirely but the acquisition of control of the express companies during the latter part of the period and merging them into the present American Railway Express Co., changed the company's aspect. Below are shown earnings statements since 1919. While the full 8% dividend was not entirely earned in 1921, it is indicated that during 1922 better than this dividend requirement was earned. The company in its form of report gives but scanty information.

	1919	1920	1921
Gross earnings..	$9,444,301	$14,812,728	$8,449,946
Bal. after taxes	1,096,380	1,890,087	1,077,404
Dividends	1,032,000	1,158,969	1,440,000
Surp. for year.	64,014	731,118	*362,596
Earned a share on stock.....	6.10%	10.50%	6.00%
Dividend paid..	6.00%	6.50%	8.00%

A favorable feature is that the company has no funded debt, the 180,000 shares of capital stock being the sole capital obligation. The latest balance sheet available, that of December 31, 1921, shows that book value of the shares was $131 each. The assets included 6 millions of real property and equipment and 23 millions of stocks, bonds and mortgages owned of which 20 millions are stocks owned.

Segregation Plans

Aside from the income which it receives on securities, American Express is now doing a lucrative business in banking, forwarding of packages and valuables to foreign countries. This has developed into a highly specialized and profitable field and at present it seems hardly likely that there is any chance of a segregation. As one interest who is familiar with the company's affairs aptly put it, "What is the need of it and what advantages would be gained?"

The fact that the company does not fully reveal its profits from the banking business has no doubt helped along the story of the segregation and large profits of this department, and, at any event, it has made a good talking point when the stock has moved.

Aside from this, at current selling price of below 120, American Express stock is showing a yield of 7% which for a stock of this character is fair. As a business man's investment, if stock was to be held for a period of years, considerable enhancement in value could be shown. **Its immediate speculative attractions, however, do not appear to be impressive.**

Mining

American Smelting & Refining Co.

Striking Recovery of Leading Smelter

Elements of Stability in a Widely-Fluctuating Industry—Indirect Dependence on the Metal Markets

By M. G. HARDY

THE American Smelting & Refining Co. is a gigantic attempt to achieve as much stability in the non-ferrous metals industry as is in the nature of the case possible. The company is the biggest single factor in the silver market, and practically controls the lead market; it is one of the leading copper interests, and it produces gold, platinum, zinc, nickel, tin, as well as heavy chemicals like sulphuric acid, copper sulphate, arsenic, sulphur dioxide, and a host of others.

It has a large measure of geographical as well as industrial diversity, having mines and smelters in the United States from California to New Jersey, in Mexico, British Columbia and Peru. Moreover, its mining interests are secondary to its smelting business, which is more like a manufacturing enterprise. By far the largest part of its production consists of metal smelted from the ores of mines not belonging to it, which it either purchases or refines at a fixed toll.

Relationship to Metal Markets

In both ways it achieves a certain independence of the fluctuations of the metal markets. Since it disposed of its metal selling agency in 1921, it is not directly obliged to purchase metals subject to these fluctuations, except of course for the output of its own mines. Under the present arrangements, as soon as it receives ore for smelting, it can sell "short" the equivalent amount of metal, at the prevailing market prices, covering when the ore has been smelted and the metal extracted.

This reduces the risk of inventory depreciation, which was always present under the older system, and which cost the company considerable money in the uncertain markets of 1919-1921. At the present time, the company's inventory is based on a so-called "normal" inventory, fixed by the company's experience, in which the various metals are carried at specified prices which remain the same irrespective of the fluctuations in metal prices. Part of the "normal stock" is 14,805,000 ounces of silver at 50 cents an ounce, 34,684 tons of lead at 3.88 cents a pound and 15,000 tons of copper in process at 12 cents a pound. These items alone make up nearly $14,000,000 out of the total inventories. The rest is valued according to actual cost.

In spite of these devices for ensuring stability, however, the company has not been able altogether to avoid the liability to extreme fluctuations which marks all phases of the mining business. The larger part of its revenue, for instance, comes from its smelting of other companies' ores. The tonnage of these varies according to the extent of activity of general mining conditions, which are beyond the power of the company to control.

In the smelting business, moreover, overhead costs are proportionately a much larger part of the total costs than raw materials or labor, because of the large and costly equipment required. A large proportion of the costs being fixed, therefore, costs of production per unit of output, and consequently net profit per unit, varies sharply with relatively small increases or decreases in the volume of output. This is aggravated by the fact that, as production usually increases when prices are improving, the company makes a market profit on its sales at the same time that its production costs are declining in an active metals market, while when business is poor, profits on the smelting business fall off because of unutilized equipment at the same time that it is forced to stand inventory losses on that part of its stock which is unavoidably subject to risk.

Thus, while perhaps not as subject to fluctuation as a mining company, the leading American smelter has shown wide variations in its earnings, as the attached graph indicates. As against the relatively poor showing for 1922 must be set the fact that for the last half of that year earnings were at the rate of $7.50 a share, so that a much better earnings record would have been made had it not been for the poor metal markets of the first half of the year. In the first quarter of this year, the improvement went still further, earnings running at the present time at the annual rate of about $14 a share.

The fact that metal prices have gone down since last March will not harm the company much, except indirectly as affecting the tonnage output of the mines who send their ore to the company to be refined. **The continuance of production at a high rate is the main factor in the company's earnings, irrespective of the price level at which the metal is sold.** The coming expiration of silver purchases under the Pittman Act will affect the company but slightly, as only 10 million out of the 85 million ounces it produced last year came from American ores and were hence subject to sale at the $1-an-ounce price.

Changes in Capitalization

The actual capitalization of the company has changed but little in recent years, although the form has been altered by the gradual issue of 5% first mortgage bonds, of which 42.5 millions are now outstanding, to replace the preferred A and B stocks of the American Smelters Securities Co., a subsidiary, which preceded the preferred stock of the parent company. The subsidiary was dissolved this year for the sake of economy, and at the same time an additional 10 million of similiar bonds, bearing a 6% interest rate but having the same lien and also maturing in 1947, was floated to facilitate the enlargement of the Mexican properties.

In addition to the 52.5 millions of bonds there are 50 millions of 7% cumulative preferred stock and 61 millions of common of $100 par outstanding. In the last

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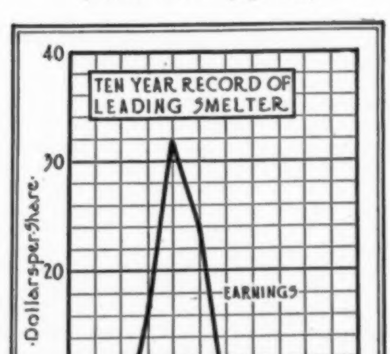


Petroleum

Royal Dutch Co.

Europe's Oil Titan

Is Royal Dutch Cheap Around Lowest Levels of Recent Years?—How a Big International Oil Business Is Run

By GERARD P. MANTON

THE world's oil markets are today the arena of a clash of titans. Vast anonymous (or pseudonymous) forces dispute bitterly but silently among themselves the mastery of the kingdom of oil; forests of oil derricks, fleets of tankers, miles of pipe-line, are their weapons. Every peasant who lights his kerosene lamp, every motorist who fills his tank with gasoline or his crankcase with oil, every ship-owner who decides to burn oil instead of coal under his boilers, all contribute their share, little or large, to the enormous power of the combatants.

The British military dictum, "We floated to victory on a sea of oil," has not passed unheeded. Today everybody is aware of the huge importance of oil to the life of our civilization, in war as in peace, and most people sense dimly the pulling and tugging of the powers that struggle to dominate the oil world. To most, however, they are only a name, classed vaguely as "the oil interests," with little of a definite picture behind the word as to the activities that go on under its name.

"Standard Oil" has come to mean something more than this, since the books of the great affiliated firms have been thrown open to the investing public, but there is as yet little widespread knowledge of the nature and doings of its great opponents on the other side of the Atlantic. An instance of the widespread misunderstandings which prevail on the subject was given two years ago on the floor of the United States Senate, when one of the most scholarly and best-informed of its members stated as a self-understood fact that the control of the Royal Dutch-Shell group is vested in the British Government. Officials of the companies named took the matter up and were able to prove by official statements that the British Government has no interest, let alone control, in the Royal Dutch-Shell group.

But if this gigantic combination is not an instrumentality of the Government of Great Britain, what is it, how and where does it operate, and more particularly, what is the outlook for the American investor who has bought the shares, in most cases at substantially higher prices than those now prevailing?

The Combination

To make the situation approximately clear, let us review rapidly the development of the Royal Dutch-Shell combine, from the time when the two firms started out as small rivulets till they flowed into one another and in their union generated a stream of torrential wealth which has flowed on stronger and stronger, ever increasing its impetus and broadening its banks and deepening its bed and generating more and more power and wealth as it still rushes on.

In 1890, a company with the formidable title of "The Royal Dutch Company for the Working of Petroleum Wells in Netherlands India" (to translate the even more formidable Dutch name ending in "Maatschappij") was floated in The Hague, in Holland. Its business was pretty much what its name indicated, although it did some transportation and selling also, because no other organization was there to do it for them.

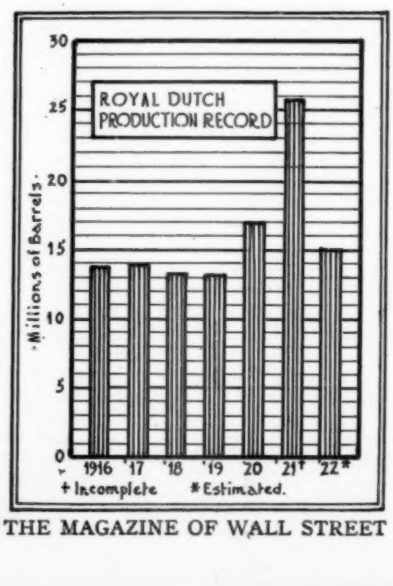
About seven years later a number of big oil houses located in London, chief among them M. Samuel & Co., who still retain the dominant interest in the company, organized the "Shell" Transport and Trading Co., Ltd., the complement of the Dutch company. As the latter was primarily interested in production, and found it had to develop its transportation and distributing business to provide a profitable outlet for the oil which it produced, so the English firm, organized primarily to transport and, in a wholesale way, deal in oil products, found it profitable and necessary to engage in production to assure itself of a cheap and steady source of supply.

The two companies' spheres intersected in the island of Borneo in the Dutch East Indies, where the "Shell" group had begun production. By 1903 the two companies had realized that each was strongest in what was the other's weakest point—one had production where the other had transportation and distribution facilities—and had decided to pool their interests, with the backing of the powerful Rothschild group of Paris as a third party, to supply banking aid and an enormous territory of oil-bearing land in Russia. The "Shell" group was backed by a powerful British combine; the Royal Dutch, it is said among oil men, is controlled through ownership of the ordinary shares by the royal family of Holland.

Armed with this powerful support, the combination of the three groups began operations in earnest. First they organized the Asiatic Petroleum Co., Ltd., to distribute their combined production. By 1907 their interests had become so closely entwined that they felt they should adopt a more binding form of union.

To this end they organized two companies, the Anglo-Saxon Petroleum Co., Ltd., in England, and the Bataafsche Petroleum Maatschappij, in Holland; the latter to take care of production and the former to do the transporting and distributing. The two new subsidiaries took over the main asset of the parent companies, and the latter became holding companies, the Shell group (English) taking 40% and the Royal Dutch group (Dutch) 60% of the stock of the two new operating companies.

While this was the general plan, it is not a rigid classification of the two subsidiaries. Anglo-Saxon Petroleum, for instance, is doing considerable development work in South America. The adop-



tion of the plan, however, marked the complete fusion of Royal Dutch and Shell interests.

Rapid Growth

From now on growth was rapid. In every quarter of the globe new subsidiaries were formed, old interests acquired, absorbed, reassembled, communities of interest established, contracts made. Everywhere wells were drilled, refineries put up, pipe-lines laid, the tank fleet was extended, the Shell group went heavily into the retail distributing trade, thus completing its growth as a "complete" cycle of the oil industry.

With all this expansion, so great were the profits and so powerful the financial backing that on only two occasions since 1902 has the Royal Dutch Co. had to offer new stock for subscription. Its control extends over fields as far apart as the Dutch East Indies, Roumania, Russia, Egypt, Oklahoma, California, Venezuela, Mexico, contracts with Persian producing companies, not to speak of selling organizations all over the world.

Until several years ago the bulk of the company's production, in spite of its vast extensions of territory, was still in the Dutch East Indies. As recently as 1916 the company obtained only a half-million barrels a year from its Mexican properties. By 1921 this had been raised to nearly 13 million barrels, without counting the nearly 39 million barrels produced by the Mexican Eagle Co., in which Royal Dutch had acquired a controlling interest.

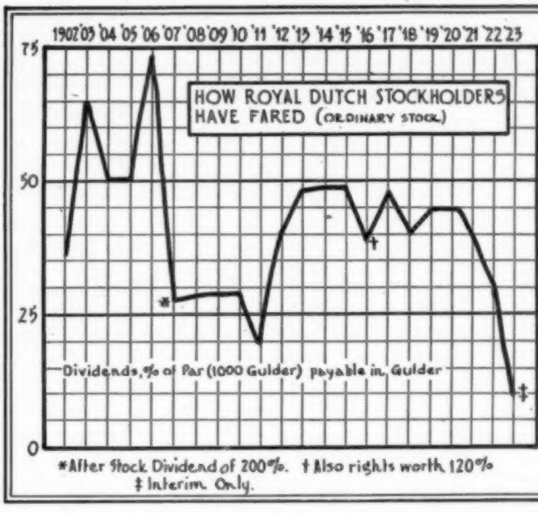
Mexican Loss

The company appears to have had great hopes of its Mexican properties. Not only did they invest millions of dollars in the Mexican Eagle property, but did an enormous amount of development, wild-catting, constructing tank farms, pipe-lines, a big refinery at Chijol (Tampico) which is now closed down, and building pump stations, terminals, loading facilities, and a tanker fleet to handle the Mexican production. Altogether, it is estimated that the program cost the company over $100,000,000, a good part of which is a total loss. In 1921, it is known, out of a total of 72 millions spent by the company in developing its oil properties all over the world, about half went into Mexico.

These properties are of two kinds: the southern (light oil) and the northern (Panuco, heavy oil) fields. The light oil fields have been the big disappointment—wells have gone to salt water, new production has been disappointing, and reserves have disappeared. The heavy oil fields, on the other hand, are proving very profitable, their output at the present time running at some 2½ million barrels a month.

The United States properties of the company appear to have been re-arranged and consolidated last year in anticipation of some such debacle in Mexico. They are grouped into three main holding companies: the Asiatic Petroleum Co., which handles distribution and transportation, the Roxana Petroleum Corp., which handles the company's production in the Mid-Continent, and the Shell-Union Oil Corp., which was organized last year as a consolidation of the older Shell Co. of California, the powerful independent Union Oil Co., the Union Oil Co. of California, the Ozark Pipe Line Corp., and the Matador Petroleum Corp.

Production of the combined companies is estimated by oil men at about 3 million barrels a month. Increased output from this source, and a renewal of drilling operations in the Isthmus of Tehuantepec, in the extreme South of Mexico, may go far toward redeeming the loss of the Mexican light oil production from which so much had been hoped.



South American Holdings

Another new source of production from which much is being expected currently are the company's vast holdings in Venezuela and Colombia, considered by oil men to be the coming oil district of the future. The Dutch-Shell combine has bigger holdings in this territory than any other company, including the holdings of the old Colon Development Co., the Venezuelan Oil Concessions (dating back many years, and covering millions of acres), and it has a working agreement for the purchase of oil from the British Controlled Oilfields, Ltd.

It is stated by oil men that parts of this district are so rich in oil that the natives obtain enough for their primitive requirements by simply scooping up the soil with a crude spade. The writer has seen a sample of crude oil from this area which ran over 50% gasoline. This may serve as an indication of the possibilities of this field once it gets under way, as it is expected to within a year or two.

In the Dutch East Indies, conditions are more favorable to the company than they have been for a long time. Burdensome export and refining taxes have been removed by the local Government, after strong representations by the company and retaliatory measures including the stopping of new drilling, reduction of the European personnel, and cessation of construction on two new refineries. Partly as a result of these measures, the export trade of Europe with these islands dropped from 56 million guilders in the poor business year of 1921 to some 11 millions in the relatively good year 1922.

The tax situation has now been settled favorably to the company, and the Djambi oil concessions, involving hundreds of square miles of virgin territory in the Sumatra oil zone, are expected to provide large quantities of high-grade crude, which will be very welcome to the company, as most of its present production is of heavy oil.

Many reports have been current as to the company's activities in Russia, but the majority of them have been categorically denied by officials. It is clear, however, that the Russian properties, including producing wells and refineries, have been nationalized and continuously operated by the Soviet Government, and it is possible that negotiations may lead to the restoration of such property. For the time being, however, the company is more interested in making selling arrangements with the Russian Government than in trying to get its property back, leaving the latter open for subsequent arrangements.

From the above description of the company's growth and the range of its activities, it is evident that an analysis and evaluation of the company's securities in the ordinary sense of the word is not possible with the available materials. Royal Dutch being a holding company, its income consists of dividends from its subsidiaries, and, the income statements and balance-sheets of the latter not being published with very few exceptions, it is impossible to say whether the subsidiaries are turning over all their profits to the parent company, or are reserving substantial surpluses for themselves, or even whether they are not dipping into surpluses to maintain dividend payments to the Royal Dutch Co.

Finances and Earnings

From a study of the documents which are available, however, two important points stick out. In the first place, the company must have made, and probably is making, huge profits to enable it not only to pay the enormous dividends which it has consistently paid without a break in the past, but to finance expansion and improvement with little recourse to outside capital.

In the second place, the company's financial structure is exceedingly strong. At the present time, it has outstanding 11.5 million dollars (converting from guilders, in which all Royal Dutch's transactions are expressed, at normal rates of exchange, which have fluctuated relatively little), of 4½% cumulative priority shares; $603,000 of 4% preference shares, and 130.2 millions of ordinary shares. The

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·SERVICE · SECTION·
·OF·
·THE MAGAZINE OF WALL STREET·

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

The Future of the Country Bank

The Effects of Branch Bank Competition

A NUMBER of events have recently combined to raise, in rather serious form, the question what is likely to be the future of the country bank in the United States. Among these, must be prominently mentioned the new legislation enacted by Congress under the head of the "Agricultural Credits Law," which has already been given extended discussion in a former issue. This, however, does not stand alone but must be associated with various other developments of recent months which suggest that the country bank is possibly entering upon a new phase of its existence.

Attitude of Comptroller

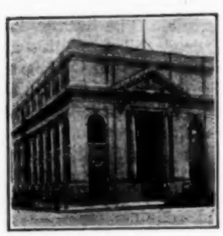
Among these, is of course the attitude of the Comptroller of the Currency. That official has, as is well known, taken the position that national banks may be permitted to establish branches practically as they choose, within cities in which they are located. There is a restriction or limitation upon this point of view on his part, in that there may be a decision shortly to be rendered by the Supreme Court of the United States to the opposite effect.

It would be impossible to prejudge what that Court is likely to do, as well as out of harmony with custom. Assuming, however, for the moment, that the Comptroller is upheld in his position with reference to local branches of banks, it is clear that the small city institution must face sharp branch competition from the larger institutions which have received licenses to open offices wherever they please within the municipalities in which they are situated.

Carrying this position to its logical conclusion, the result will undoubtedly be to limit the small bank system very greatly although, technically speaking, the country banks in the strict sense of the term will not be interfered with. "Country banks" in the legal sense exist in a great many cities and they will have to stand the brunt of the competition. This, however, as already stated, may nominally leave the small bank, in the country town where there is no room for branches, undisturbed. But it may be a serious question whether the next step will not be the extension of the branch system to the establishment of branches or offices outside of the cities in which the parent institution is located. That undoubtedly is the feature as to which an issue will be sharply drawn.

System of Branches Growing

Systems of branches, however, are already growing under state law, and the tendency is for large banks to shift from the national to the state systems. Probably two thousand branch banks exist under such state systems in the United States today. States like California, Michigan and others already have statewide systems of branches, and others will follow. There is a strong tendency for large banks to shift from national to state organization. The former well-recognized advantages of the national system have been very largely removed by the working of the Federal Reserve System and by the absence of profit in note issue, while the increasing advantages held out by state banking systems are, as just stated, more and more attracting the attention of the larger institutions. When such institutions are organized today, they tend to shift into the state system of their locality; so that as a result state systems are showing a much more vigorous growth than is the national. **This, so far as it goes, means that country banks are likely to be subjected more and more to pressure from branches, since in the states where branch bank systems have been well started it is proving very hard to resist them.**



A TYPICALLY PROSPEROUS COUNTRY BANK

There Are Hundreds Like This Throughout the Country

The chain bank system or plan of combined inter-bank control is also on the whole proving successful and considerable confidence in it is expressed as a business proposition. As yet, the movement has not proceeded far enough to show exactly how much of a menace it is likely to be to the country bank. It will, no doubt, intensify the difficulties of competition to which country banks are subjected, for the reasons just sketched; and, in proportion as it grows, it must be expected to "cut into" independent country banking. This may be through a process of absorption or joint control of existing banks, or it may be through the gradual "squeezing-out" of present banks through competition. That remains to be seen. In either case, what it does mean is that a new type of condition must be met by the country banker, especially as he is in this way feeling pressure from all sides through the effort of other banks to get his business.

What will be the result of this state of things as time goes on? In other countries, as is well known, banking has already reached a very high degree of concentration. In Great Britain, there are only about twenty-five principal institutions as compared with several hundred a few years ago, while in Canada only seventeen exist. This tendency to concentration of banking has advanced very far in France as well as in other European countries. In fact, the United States is about the only country in which individualized country banking is maintained.

Problem of Competition

The problem is one which the country banker must set himself to meet at a very early date and which he must consider

with exceptional thoroughness. He must recognize that the greatest dangers to be confronted are those of high local expense and unsatisfactory outside connections. The branch bank is likely to be run at a lower general expense while its connections through its parent institution are superior. Fortunately country bankers have ready at hand the means of protecting themselves through the Federal Reserve System. That system affords a co-operative type of organization which can be developed into great possibilities of mutual service if the country banker so desires.

Not only can it supply him with the best of domestic collection and exchange facilities as well as ample means of rediscount, but the law under which the reserve banks operate already authorizes them to conduct operations abroad. The smaller bankers of the country, moreover, have the control of reserve banks within their reach, and could if they choose insist upon the establishment of foreign connections in which the reserve banks would be compelled to act for them, and to furnish at a low cost the same facilities which large banks are obliged to develop at very great expense to themselves. In fact, there is only one phase of the present situation in which the co-operative association known as the reserve bank cannot help the country banker. This is the matter of local "overhead" and cost of operation. Even in that regard there is much that may be done.

Cost of Doing Business

The country banker has always suffered from a high overhead which has made him feel that he ought to charge high rates in order to pay expenses. This view may have been warranted; but the problem now is that of reducing rates in order to preclude the possibility of severe competition. Country banks do not suffer from the payment of excessively high wages, although in some cases official salaries are too numerous and too large for the amount of funds that are at work. This kind of over-expense, however, is easily enough cut off. The point of which the country bankers' budget is ill balanced is found in the idleness of his funds during part of the year at periods when he is obliged to employ them at very low rates through city banks or else not get any income on them at all. He also suffers from the fact that he has never succeeded in developing the latent banking power of his community. Local farmers have not been offered full facilities for transacting business, or been educated in banking with the same degree of skill that city banks use in exploiting their fields of activity. The rediscount opportunities of the reserve bank, likewise, have by no means been employed to their full extent, nor has the country banker used the advice or the services of the reserve bank as fully as he might in keeping his spare funds employed and so reducing his unit costs.

It is probable that lower rates on loans would result in developing a good deal of good business which now leaves the country bank and is carried to neighboring cities where rather lower rates can be had by borrowers. This would be kept at home if the country banker felt able to cut his rates on such paper. The same thing is true of foreign exchange business, which the country banker now often turns over to a city correspondent instead of equipping himself to handle it and instead of insisting upon having it managed for him through connections established abroad by reserve banks. In all these ways, the unit cost of business in the country might be greatly decreased, and the service phase of country banking rendered much more efficient. There is a very large field of work to be done in this connection.

Practical Lines of Effort

These things are not likely to be accomplished without intensive effort on the part of the country banks, perhaps in conjunction with other country banks. To use the Federal Reserve System in the way indicated will call for a very substantial and united demand from a considerable number of bankers. To get the investment and collection services perfected in the way that is indicated above will require strong individual effort on the part of the banker who is now doing business along old-fashioned lines, but who needs to readapt himself to existing conditions. As a result, he should be able very largely to reduce his actual unit cost of doing business, and as soon as that result is accomplished, he will be able to lessen his rates of charge very sharply. The effect of such action would be to cut away much of the argument for branch banking which is now being urgently pressed upon Congress and the Administration, and to leave the proposition as an issue supported merely by the interests of city banks which desire to make money for their stockholders.

At present, they are able to contend that they would be in position to furnish much better service than is being given by country banks and to give it at a lower figure than the latter give it. The effective way to meet their argument in the long run will undoubtedly be that of showing that the country bank is providing as good a grade of service as can be supplied, and as cheaply as it is furnished anywhere.

The Future

Granting that the country bankers of the United States are able to co-operate along the lines indicated, it would seem that they should be able to maintain the peculiar system of independent banking which has grown up in this country, and which has furnished local self-control of financial matters. Failure to come up to these requirements almost inevitably means gradual invasion of the country banking field by some one of the various roundabout routes that are now being opened. Experience in other countries has shown that the small unit bank can be run by good ability as cheaply as a branch, but that in a good many cases it is not so conducted. The future of the American country banker undoubtedly depends upon his succeeding in attaining the very best kind of service at the lowest rate consistent with a fair return to himself and his stockholders.

Reaction Against Recent Legislation

Lack of Interest in Federal Reserve Membership—Conservatism as to Rural Credit—Gold Policy Unsatisfactory

Washington, May 31.

INFORMATION that is coming in by way of reply to the questionnaires sent out by the Committee charged with the duty of investigating the question of membership in the Federal Reserve System is disclosing conditions relative to the attitude of banks with regard to membership which have been fully expected by those closest to the situation. They indicate that the non-members have not found, from their contact and competition with existing members of the system, that the latter have so pronounced an advantage as to make it worth while for them to join the organization, while they also show that the tendency on the part of non-members is to feel that through the new agricultural credits machinery it will be possible to get all of the advantages of membership which should belong to them were they to become full members by putting up the necessary amount of capital and purchasing shares in a reserve bank.

Growth of Conservatism

All this makes a state of things in which the effort to cure existing conditions, and to make the system more attractive, by legislation, is evidently quite out of the question—a fact which is obviously having its effect upon the minds of those government officers who are following the developments most attentively.

There is an apparent growth of conservatism on the part of farm loan authorities as a result of general anxiety expressed by country banks and others

(*Please turn to page 278*)

How Banks May Get New Business

A Matter of Concern to Every Banker

GETTING new business has always been a serious question with our banks; but of recent years it has become very generally a so-called "practical problem" which every bank has had to confront. The getting of new business is in some places more or less of a science, while in others it has become largely a bargain and sale proposition. In the cities, where branch banking is leading to a kind of cut-throat competition for certain classes of deposits, the new business campaign may easily reach a point at which it becomes a menace to sound and safe banking.

Buying New Business

The ordinary banker, especially the man who has gone without technical knowledge into banking from some other kind of occupation, is inclined to look at banking as a business which simply deals in "money." According to him, the bank goes out and "buys deposits," paying for them either in interest rates or in extreme forms of service of some kind, according as competition with other banks compels.

THE banking field, in its way, is just as competitive as any other and, to be successful, the banker must be willing and able to compete with other banks. In banking, the adoption of sound selling methods is completely desirable without in any way lowering the dignity of the profession. After all, what the bank's customers want is service, and the more service the bank can render the better a bank it is. In this article some of the fundamentals of bank salesmanship are discussed.

Where this way of buying new business is developed largely, the bank often becomes a kind of strainer whose purpose it is to separate out from the general current of trade those "deposits" of which customers are willing to dispose for the considerations already spoken of. In such cases, the deposits which are bought are either "savings" in the sense that they represent the inactive funds of the depositor, or else they are funds which do not stay long in the bank, but are promptly checked out, so that the bank is like a sieve. It retains the deposits for a little while, but since it has no actual business relations with the customers, it has no means of strengthening and increasing these funds, except through constant solicitation and steady buying of more deposits.

Of course, the amount which it can afford to pay for such funds depends on the amount that it can get as modified by its "overhead." The bank thus in fact relends the funds to a real bank, which has the connections with the commercial world necessary to insure opportunities for employing the resources in genuine banking, or else it buys securities and does a kind of savings-bank business. In these ways, it may furnish places and salaries to a considerable staff, and may be a real convenience for depositors who would otherwise find the transaction of their business less easy. Such banks, however, are feeders, and are of no particular interest from any genuine banking standpoint. Their attractiveness consists in their location, their service to depositors, their convenience of equipment and their success in advertising and disposing of these advantages.

Lending to Customers

The real problem of getting new business and holding it cannot be reduced to any such low level as this except in branch banks and savings institutions. In a live, vital, banking institution the true hold acquired on the community is found in the fact that the bank really discharges the service of banking in an efficient way. What is that service? It is essentially the study of credit and the undertaking to make the credit of customers liquid. This is done, in ordinary language, by making "loans," which are really undertakings to guarantee the credit of customers. Such loans, of course, always take the form of "deposits" or "notes"—that is to say they are the liabilities of the bank itself, and thus the bank gets business by doing business. Its deposits grow out of its loans.

This is a situation very different from that which exists in the former case, where the bank really buys the use of the customer's funds without doing anything for him, except to cash his check. Competition in these circumstances is a very interesting economic problem, involving fundamentally the question how successful and serviceable the bank can be in understanding and in "sizing up" the credit possibilities of the customer.

To some extent the bank's charge for this service—its "rate of interest"—is involved, but that, after all, is a rather minor phase of the situation. Of two banks which perform the credit service equally well, the customer will of course prefer that which gives him the lower rate, but he will place the primary emphasis upon the service rather than upon the rate. This fact is oftentimes obscured, especially where there are a number of efficient banks which are performing a fairly well standardized service in about the same way or with about the same degree of efficiency, but it is always there.

What has been said applies both to the country and to the city bank in very much the same way, although it is probably true that in the country bank the house-to-house and office-to-office solicitation in the effort to get new business or to take it away from the banks that already have it is usually very much reduced, either because the banks already have, or think they have, about all the business there is to get, or because they do not want to have much competition of the sort that produces direct personal conflict or opposition.

In such cases, however, there is a special form of competition which the country bank can engage in if it wishes, and which is designed to develop new business. Undoubtedly, there is an enormous field still to be covered by the check and deposit system, the question being how far it may be possible to develop that system among customers, weaning them away from the savings deposit idea, and promoting the plan of payment by check in payroll and other disbursements.

As things stand, it is greatly to the banks' interest to shift funds from savings or time-deposit account to the open checking account. In the latter case, the bank is doing real service in facilitating the economical performance of the community's business, while, at the same time, it tends strongly to hold the support of those who recognize its effective work in bringing a new kind of convenience within their reach.

Some country banks have greatly enlarged the stability of their funds, and have correspondingly increased their profits by encouraging and making it worth while for the new groups of customers to use their resources, while at the same time they find means of handling the account in such a way as to get a profit out

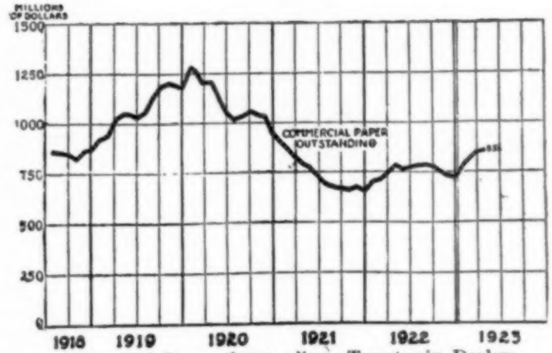
(*Please turn to page* 265)

·SERVICE·SECTION·

The Banking Situation

Effect of Reaction in Trade — Strain Somewhat Relaxed — Agricultural Demand Growing

GRADUAL reaction in business has been reflected even more promptly than usual in the applications of member banks of the Federal Reserve System for accommodation at Reserve Banks. The latter, in fact, has reached a point which affords a fairly good index of the strength of banking needs and through them of the requirements of business.



Commercial Paper Outstanding—Twenty-six Dealers

When member banks are not fully "loaned up" they have usually no direct connection with Federal Reserve banks, and at such periods the volume of rediscounts that may be asked for is, if anything, of less importance than the amount of bills purchased in open market by Federal Reserve banks. But when the member banks approach a "loaned-up" condition, as at present, the case is quite different and the fluctuations in the amount of applications for rediscount reflect in an important way the changes in the volume of business.

Accordingly, falling off within recent weeks in the amount of rediscount accommodation asked for is a matter of very substantial importance from the standpoint of the business community. It illustrates the fact that the business situation has heretofore been furnished with practically all of the funds that it needs for current financing, and has absorbed them, while the hesitation in business that has taken place within recent weeks has tended to cut down the amount of new accommodation which would otherwise be needed for current and new financing.

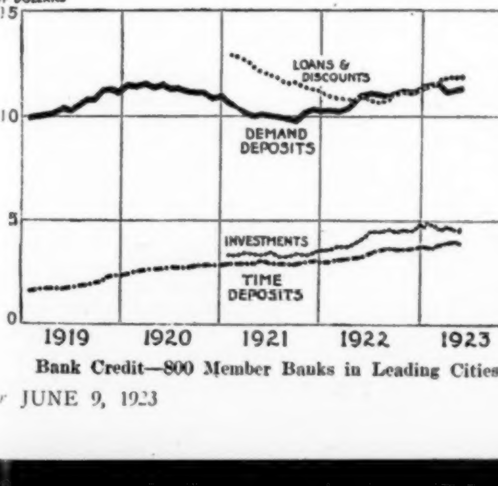
Some relaxation has also taken place in the actual amount of strain or demand to which member banks are being subjected. This is seen in the changes in the actual loans and discounts of member banks which, although increasing, are going ahead at a decidedly slower rate, while their investments in many parts of the country continue to fall off, showing that the movement which had begun in the shifting of investment funds into available banking resources through the sale of bonds and long-term securities held in portfolio has not yet been brought to a close. In fact, the relative stability of bonds, as illustrated by the comparatively firm figures of the past week or two, have shown why it is that many bankers consider this a favorable moment at which to dispose of their securities. This a good many of them have done, instead of rediscounting to meet current needs, and that policy partly accounts for the relaxation of demands for credit at Reserve banks, which is only partly explained by the slackening of business already referred to.

The banks are still holders of a good many securities, and they may be expected to go on disposing of them as long as bond prices hold up well. This policy they will probably pursue for some time to come, assuming that low rates are maintained by Federal Reserve banks—with corresponding influence upon bond prices. As a result, the immediate increase of demands upon Reserve banks for commercial accommodation in behalf of members is scarcely to be expected pending the arrival of definite changes in the business situation which are not now apparently in sight.

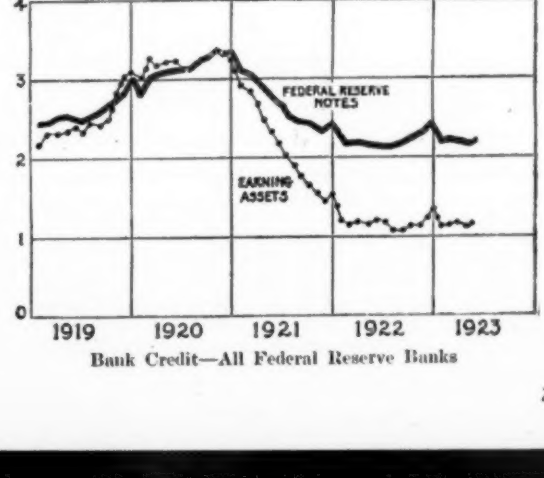
Close of Treasury Financing

An important factor in the banking situation is undoubtedly seen in the close of the treasury refunding and financing processes which were brought to an end on May 26, when the books for subscriptions to the new treasury notes were closed. These offerings of certificates and notes from time to time during the past two years have had a very important effect upon the banking situation, and have undoubtedly resulted in putting considerable quantities of bank funds into the new offerings which have presented themselves so frequently. It may now be expected that banking policy in this regard will be a good deal more stable; and that, inasmuch as the treasury issues have now assumed a longer-term form, there would

(*Please turn to page 278*)



Bank Credit—800 Member Banks in Leading Cities



Bank Credit—All Federal Reserve Banks

SERVICE SECTION

ANSWERS TO INQUIRIES.

Industrial Inquiries

SOME BIG YIELDS IN PREFERRED STOCKS

Reaction in the market has brought many middle-grade preferred issues down to levels where return on the investment is from 8½% to 9½%

In a reactionary stock market, I have noted that preferred stock issues of smaller companies that are more or less unseasoned frequently have a substantial decline in price so that they can be picked up on a basis to return a very high yield to the investor. Is it not a fact that many of these issues, due to the prosperity of the company in the past year, are in a reasonably sound position and likely to recover in value? I would be indebted to you if you would give me a few suggestions along these lines.—A. T. S.—Elmira, N. Y.

You are quite correct. In a declining market, unseasoned preferred stocks or preferred issues that have a very narrow market, frequently, get down to levels where they are, undoubtedly, attractive from the investment viewpoint. As a rule, these issues cannot be put in the high-grade class, but frequently they are good middle-grade issues, suitable for a business man's investment. The following list appears attractive to us at this time:

Preferred Stocks	Price	Dividend	Yield
Spicer Manufacturing	92	8	8.7%
Market Street Railway prior pfd	67	6	9.0%
Austin Nichols	82	7	8.5%
Worthington Pump B	63	6	9.8%
Manati Sugar	82	7	8.5%

Spicer Manufacturing earned the preferred dividend with a large margin to spare in 1922 and for the first quarter of 1923, earned 17% on the preferred stock or at the rate of 68% per annum. The company is rapidly retiring its funded debt, thus placing the preferred stock in a stronger position.

Market Street Railway earnings are running at the rate of about twice the dividend requirements on the prior preferred stock. There are 10% back dividends due on this issue. In view of the fact that these earnings are made on a basis of a 5c fare, there is every reason to believe that they will continue on a favorable basis. Moreover, there is a chance of the City of San Francisco buying the properties which would be a very favorable development.

Austin Nichols for the year ended January 31, 1923, earned 13.07% on the preferred stock. There are no bonds ahead of this issue and the working capital of the company alone is very nearly equal to the total amount of preferred stock outstanding. Earnings in the present year are understood to be on a still more favorable basis.

Worthington Pump in 1922 did not quite cover dividend requirements on the preferred B stock, but it is well known that the machinery business is one of the last to feel the effects of improving conditions and earnings at the present time are understood to be substantially in excess of preferred dividend requirements. The company has no funded debt and is in strong financial condition with over five and a half millions cash and Government securities on hand.

Manati Sugar did not earn the dividend on the preferred stock for the year ended October 31, 1922, but with the big advance in the price of sugar it will show a very substantial profit in the current year. For the five years ended October 31, 1922, earnings on the preferred stock averaged 108% per annum. This dividend appears very secure, in view of the conditions existing at this time in the industry.

AMERICAN LOCOMOTIVE

Recapitalization

I understand that American Locomotive is to be recapitalized. Will you please give me the particulars of the recapitalization plan and also what information you have available in regard to earnings and the outlook for the company?—R. J. H., Sanford, Maine.

The board of directors of American Locomotive have recommended that the common stock be changed to no par value and that two shares of no par value stock be given in exchange for each share of $100 par value. A meeting of stockholders will be held June 11th to act on this recommendation and it, undoubtedly, will be approved. The last dividend declared was $2.50 per share on the common stock or at the rate of $10.00 per share per annum. This would mean a rate of $5.00 per share per annum on the new no par stock.

American Locomotive is booked up almost full to the end of the year and has already taken a fair amount of business for delivery in the first quarter in 1924. The company has not issued any official statement of earnings, but as gross shipments this year are expected to run close to one hundred millions, it is estimated that earnings should run $35 to $40 a share on the present outstanding stock, after all charge-offs for depreciation. American Locomotive is in very strong financial condition with over thirteen million dollars of marketable securities and cash on hand. We consider it one of the most attractive of the equipment issues.

INTERNATIONAL PAPER

Large Bank Loans

A little expert advice in my case is badly needed. I am hung up in International Paper with a ten point loss. Do you not know whether conditions warrant my holding the stock for a recovery or whether it is best to accept this loss and switch into some dividend-paying issue that would give me a return on my money and which also may appreciate in value?—R. L., Hot Springs, Va.

International Paper for 1922 reported a deficit of 6.2 millions after preferred dividends as compared with a deficit of 2.6 millions in 1921. These large losses have weakened the financial condition of the company and as of December 31, 1922, notes payable totalled 12.6 millions. While it is true that the company is understood to have turned the corner this year and is showing something earned on the common stock, dividends, in our opinion, are decidedly remote, as good management would dictate that this floating debt be cleared up before the common stockholders receive anything. The stock is not without long-pull possibilities, but at this time, we would advise a switch into Manhattan Railway modified guaranteed, selling around 42. Under the terms of the lease as modified with the Interboro Rapid Transit Company, this stock will be entitled to a 4% rate in October of this year and a 5% rate in October 1924.

CENTRAL LEATHER

Outlook for Common

Some years ago I purchased 50 shares of Central Leather common stock at around $85 a share. I continued to hold the stock even though the dividend was passed in the hope that the company would come back. However, it has been a long wait and I have rather lost confidence in that company. I am perfectly willing to hold for a year or two without dividends, if there is a fair chance that at the end of that time, I will again be getting a good return on my money.—L. F., Pittsburgh, Pa.

Central Leather took a terrific loss during the deflation period of 1920-21, the total deficit for these two years amounting to thirty-five millions. In the preceding years, however, the company had piled up some large profits and as a result it is in comfortable financial condition at the present time, cash on hand, December 31, 1922, being 6.3 millions. The company apparently has at last turned the corner. Earnings for the first quarter of 1923, after allowing for preferred dividends, were equal to $2.30 a share on the common stock or at the rate of $9.20 per share per annum. Although these earnings are good, no early dividend action can be expected on the common stock, as the company has a profit and loss deficit of four

millions and in addition there is 14% back dividends due on the preferred stock which must be paid off before the common shareholders can receive anything. However, if you are willing to hold the stock without any return for a year or two, it is our opinion that it will give a better account of itself and that you will ultimately be able to get out to better advantage than at existing prices.

CANADIAN CAR AND FOUNDRY

Twenty Million Unfilled Orders

As a holder of Canadian Car & Foundry stock, I will be pleased to have your opinion as to the outlook for dividends and the latest information you have on hand in regard to earnings.—F. L. S., Portsmouth, N. H.

Canadian Car & Foundry for the year ended September 30, 1922, reported a deficit of $586,632 which compares with a deficit of $892,396 for 1921. At the present time, however, the situation has radically changed, as the company has about twenty million dollars unfilled business on its books, whereas in the preceding year their unfilled orders were less than a million dollars. Capacity operations are, therefore, assured for some time to come and in the current fiscal year, the company will, undoubtedly, show handsome profits. The balance sheet as of September 30, 1922, showed the company to be in good financial condition, current assets totaling 6.8 millions as against current liabilities of only 0.6 million. In view of the outlook for good earnings and the comfortable financial condition, there is little doubt, but that dividends on the preferred stock will be resumed very shortly. There are 12¼% back dividends due on this issue and these, of course, will have to be cleaned up before the common stock can receive anything. This may delay dividends on the common stock for some little time, but we consider it to have rather attractive long pull possibilities.

HIS MOTHER'S FUNDS

Sound Securities Yielding over 6%

As the result of the sale of a piece of property my mother has $9,000 to invest. Will you be kind enough to suggest a list of bonds that are reasonably safe? I would like to get a yield of at least 6%.—H. D., Spring Lake, N. J.

We feel that the following list of bonds would be a desirable investment for your mother. We have included one or two issues that give a rather high yield, but

(Please turn to page 258)

Inquiries on Oil Securities

PIERCE OIL

Weak Financial Condition

Please let me have your report on Pierce Oil. I hold some of the common stock at considerable loss.—D. K., Carlisle, Pa.

The most recent statement of earnings of the Pierce Oil Corporation covers the first seven months of 1922 in which period there was a deficit of $779,048. This is a very poor showing in view of the general prosperity of the oil industry during those months. The great trouble with the company appears to have been poor management which resulted in unfavorable earnings and also hurt the credit of the company, which, for some time, has been very poor and has greatly interfered with its facilities for doing business. The company apparently has valuable properties but this inefficient management has prevented a good earning power from being developed. There appears to be a somewhat better opportunity for stockholders, however, in view of the fact that a new management has taken control including Henry L. Doherty, Alton B. Parker, A. B. Leach and others. This management, however, is not very firmly seated as there is still litigation as to which group is entitled to control. Another development of an unfavorable nature is the recent rendering of a decision against the company involving the establishment of a liability for about $2,000,000 for the breach of a contract for furnishing oil made with the Railroad Administration. It is hoped that this decision will be reversed on appeal but the effect has been to still further undermine the credit of the company.

You can readily see from these facts that the securities are highly speculative and the only hope is that the management may be able to take hold properly and change some of these conditions for the better. In our opinion, however, there are many other securities with more definite future possibilities than Pierce Oil Common and we do not favor it even at present levels.

MEXICAN SEABOARD

Large Acreage in Mexico

When Mexican Seaboard was reporting big earnings I purchased a few shares of the stock at 40, and still have it. What is your opinion of the stock at this time?—E. L. M., Buffalo, N. Y.

Mexican Seaboard Oil shares are highly speculative. The company's production on account of salt water invasion of its Toteco wells fell to 10,000 barrels of oil a day from 100,000 barrels daily last summer. It also has two wells in the Panuco district. It has just been reported that a new well was brought in in the Toteco field running 25,000 barrels a day, but of course this rate may not be maintained any length of time. The speculation in the situation is the fact that it owns 6,000,000 acres of undeveloped land in Mexico. In the event oil in large quantities is brought in as a result of development of its acreage the stock is in position to have a very considerable advance. In view of the possibilities in connection with this large undeveloped acreage we regard the stock as a fair gamble. The company is in good financial condition.

INTERNATIONAL PETROLEUM

Millions to Spend on Development

A friend has advised me to purchase International Petroleum for a big advance in price. Do you look for this stock to have an early advance?—R. H. J., Decatur, Ill.

The International Petroleum Co., Ltd., is controlled by the Imperial Oil Co., Ltd., which in turn is controlled by the Standard Oil Company of New Jersey. The company produces, refines and manufactures petroleum, natural gas, coal and mineral substances generally. Its holdings in South America consists of an area estimated to be about 2,000,000 acres in Colombia, about 600 square miles in Peru and 125,000 acres in Ecuador. The stock would seem to have good long-pull possibilities, but we are inclined to believe that the realization of them will be very slow, as doubtless a great many millions of dollars will have to be spent in developing the South American properties and, for this reason, dividends are likely to be small for some time to come.

MIDDLE STATES OIL

Capitalization Increased

I have been told that Middle States Oil has a very large cash surplus, that it is earning its dividend more than twice over and that the stock is very cheap at present price of 11. Do you agree with this?—S. T. Houghton, Mich.

Middle States Oil report for the year ended December 31st, 1922, shows net income equivalent to $2.79 a share on the outstanding stock but this was before making any deduction for depletion or depreciation which in an operating company such as this should be a large charge as a rule. The balance sheet as of December 31st, 1922, shows cash on hand of $242,426; accounts and bills receivable $1,751,000 and inventories $404,655 as against current liabilities of $210,000. While this is a fair financial condition it is not anything re-

SPECIAL REPORT DEPARTMENT

WE have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary, but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

markable in view of the fact that this company now has $23,917,000 stock outstanding of a par value of $10. The information given you that the company had a large cash surplus on hand is not correct according to their own balance sheet. We do not favor the stock.

RYAN CONSOLIDATED

Financial Condition Improved

I have held Ryan Consolidated for some time as I did not feel like selling out at a big loss. Is the company showing any improvement in earnings and do you consider that there is any possibility for dividend payments?—H. M., Taunton, Mass.

Ryan Consolidated Petroleum through its subsidiaries the Ryan Petroleum Corp. and Morton Petroleum owns 85,000 acres in Texas, Kansas and Oklahoma. For the year ended Dec. 31, 1922, net operating profits were $411,051. This, however, is before deducting anything for depreciation and depletion. The balance sheet as of Dec. 31, 1922, shows that the company has made some progress in strengthening its financial condition. Cash on hand was $406,534 comparing with $227,657 as of Dec. 31, 1921. Current liabilities were $34,539 as against $91,474 in 1921. Capitalization consists of 295,530 shares of stock of no par value. The stock is of course highly speculative but in view of the fairly good financial condition and earnings reported we should say that it has speculative possibilities and that if the company continues to do as well as it did in 1922 dividends are not unlikely. Production has been averaging in excess of 1,000 barrels a day.

New Security Offerings

MIDLAND STEEL PRODUCTS 7s

Closed First Mortgage

I note that Midland Steel Products 1st mortgage bonds are offered at a price to return 7.15%. This is a very liberal yield, and if you consider the bond sufficiently well protected, I will probably make the investment. —G. L. P., White Plains, N Y.

Midland Steel Products $2,500,000 1st mortgage 7s, due 1938, are secured by a closed first mortgage on all the physical property of the company. Appraised value of permanent properties is $5,614,460, equal to $2,245 per $1,000 bond. Total net tangible assets are $7,579,605, equal to $3,031 per $1,000 bond. Midland Steel Products has been organized to take over the business and property of the Detroit Pressed Steel Co. and the Parish & Bingham Corp. of Cleveland. The new company will be the largest manufacturer of pressed steel automobile and motor-truck frames. Plants have combined floor space of 607,661 square feet. For the eight-year period ended December 31, 1922, combined net earnings after deducting depreciation and inventory losses but before Federal taxes, averaged $903,469 per annum or more than five times the maximum interest requirements on this issue. Bonds may be converted at option of holder into 8% participating cumulative preferred stock from May 2, 1924, to May 1, 1927, on the basis of 10 shares for each $1,000 bond; for the next four years on basis of 9½ shares and thereafter until maturity on basis of 9 shares. The 8% preferred is entitled to 80% of all distributed earnings after payment of $4 a share on the common. A semi-annual sinking fund will retire 60% of the bonds before maturity. While this is not a gilt-edge issue the business is well established and should continue to show good profits. We consider it an attractive middle-grade bond.

POTOMAC ELECTRIC POWER 6s

Yield 5⅞%

Please let me have your report on Potomac Electric Powers 6s.—C. C., Jersey City, N. J.

Potomac Electric Power Co. general and refunding 6s, Series B, due 1953, were recently offered at 101½ to yield 5⅞%. This company does the entire commercial electric light and power business in the City of Washington and adjoining communities, serving without competition an estimated population of 475,000. For the 12 months ended March 31, 1923, net earnings were 2.5 million and for the 12 months ended March 31, 1922, were 2.4 million. Annual interest on bonds is $719,454. Including this issue the outstanding bonded debt of the company is about 60% of the value of the physical properties.

ROME WIRE CO. 6% NOTES

Well-Secured Issue

What is your opinion of Rome Wire Co., 3-year 6% notes?—A. N. L., Worcester, Mass.

Rome Wire Co. 3 million 6% notes, due May 1, 1926, are issued under a trust agreement which provides that the company will not create any mortgage indebtedness without equally securing this issue. No additional funded debt may be issued unless total net assets are at least 250% and net current assets at least 110% of total funded debt and unless average net earnings for the three preceding fiscal years are at least three times the total interest requirements. Average annual net profits, after deducting all depreciation charges, for the 7 years ended December 31, 1922, were $682,122 or 3¾ times interest requirements on this issue. Net profits for the first quarter of the current year were equal to more than 2½ times total interest requirements for the entire year. Total net assets of the company amount to 8.4 million or 280% of this issue. Net current assets are 5.6 million. Company's output in 1922 was 76 million pounds of copper rods, copper wire and copper-wire products. This is a well-secured issue and attractive at the offered price of 98 to yield 6¾%.

THE BALDWIN CO.

Three-Year 6% Notes

Having disposed of the greater part of my stocks I have considerable funds on hand available for investment. I note your advise in THE MAGAZINE OF WALL STREET to keep funds in liquid condition at this time. Would you consider the recent offering of the Baldwin Co., 3-year 6% notes suitable for this purpose.—B. M. L., Dayton, O.

Capitalization of the Baldwin Co. consists of $2,453,000 preferred stock, $2,000,000 common stock, the $1,800,000 6% notes, due June 1, 1926. Ratio of current assets to total outstanding obligations, including these notes, it 335%. The company has an excellent earning record over a long period of years. Average earnings for the past three years are more than six times the interest requirements on the notes. These notes are undoubtedly well protected from the viewpoint of earning power and assets. We do not, however, consider them desirable for your purpose as the issue is small and may have a relatively thin market which may make it difficult to sell at any time without a sacrifice in price. As an investment to be held until maturity, however, we consider the notes desirable.

JERSEY CENTRAL P. & LT.

First Lien 6½s

Kindly give your opinion of the Jersey Central Power & Light 6½% Series A bonds recently offered at 97 to yield 6.75%.—W. S., Boston, Mass.

Jersey Central Power & Light supplies electric light and power service to some forty communities in central New Jersey through subsidiary companies. The First Lien 6½s, due 1948, represent a first lien on the operating properties through pledge of all outstanding securities, including bonds and stocks of subsidiary companies. Properties have been recently appraised by Sanderson & Porter at over 6.2 million, an amount equivalent to $1,800 for each $1,000 bond of this issue. Earnings for the 12 months ended March 31, 1923, were $468,874 as against annual interest requirements on these bonds of $227,500. This is a well-secured issue in our opinion and attractive at the offered price of 97 to yield 6.75%.

·SERVICE·SECTION·

TRADE TENDENCIES

Business Recession in Sight

Declining Volume of Wholesale Trade and Falling Prices Mark Reversal of Business Trend

STEEL

New Buying Shows Setback

WHILE production is being maintained at the high levels of the last few months, it is a question whether some recession will not occur in a few months from now. New buying is coming in in relatively small volume, although buyers on old contracts show no hesitation about receiving current shipments. One result of this situation is the tendency of premiums for nearby delivery to disappear. Jobbers report a marked slowing down of buying interest and rate of withdrawal of stocks from warehouse.

It is not surprising therefore that a downward tendency in prices, though still of very small dimensions, is making its appearance. To some extent this represents part of the premium which had been absorbed into current quotations, but in part, also, it is a genuine price decline. It is not believed in the trade, however, that it can go very far with conditions as they are today, including a strong market for fuel and a competitive bidding-up of labor costs by industry.

Iron production is being well maintained in spite of the decline in prices, which began some time ahead of the corresponding movement in steel. In fact, new furnaces are still being blown in, and buyers show little hesitation about entering the market at present levels.

The effect of the decline of new building and the holding-up of old projects has, of course, been felt by the industry, but consumptive demand from other lines of business, notably oil and automobile, has remained high enough to warrant a sustained high level of operations. Some decline in purchasing scale is to be expected from consuming industries in a fairly short time, however, if the present recession keeps up as it bids fair to do, and in addition, the seasonal falling-off in output is about due at this time. Stabilization at a somewhat lower level of production and prices seems indicated as the outlook at the present time.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1923 High	1923 Low	1923 Last*
Steel (1)	$46.25	$36.00	$46.25
Pig Iron (2)	31.50	24.00	27.75
Copper (3)	0.17½	0.14¼	0.15⅛
Petroleum (4)	4.10	3.00	3.25
Coal (5)	4.25	2.02½	2.07½
Cotton (6)	0.31	0.26½	0.27½
Wheat (7)	1.38	1.18	1.18
Corn (8)	0.83	0.68	0.78½
Hogs (9)	0.08½	0.07¾	0.07¾
Steers (10)	0.10¾	0.08¾	0.09½
Coffee (11)	0.1	0.10¾	0.11⅜
Rubber (12)	0.37	0.27	0.28⅞
Wool (13)	0.58	0.56	0.57
Tobacco (14)	0.24	0.18	0.24
Sugar (15)	0.08½	0.05½	0.08⅛
Sugar (16)	0.10½	0.07	0.09½
Paper (17)	0.04⅛	0.03¼	0.04

*June 1.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

OIL

Refined Prices Turn Upward

A somewhat better tone is noticeable in the oil business as a result of the stronger position of gasoline and kerosene in a number of Middle Western consuming centers. The wave of price-cuts seems to be about over for the time being, now that an earnest effort toward restriction of output by higher-cost oil producers, particularly the smaller companies, is under way. California production shows no sign of serious falling-off, however, and a further spurt in production in the new deep fields may upset the industry all over again.

Consumption remains satisfactorily high, however, and even shows a tendency to go higher as the motoring season advances and the unseasonably cold weather dissipates. A weak spot on this side of the situation, however, is the unsatisfactory export trade, particularly with Europe. The development of refining capacity on the other side, and of crude production in nearby Asiatic fields threatens to diminish permanently the necessity for importations from this country on any large scale.

The refining interests have found themselves again established on a fair profit basis after all the readjustments made necessary by the alternate reductions in crude oil and in refined products. Most of them are still in position to benefit by an increase in volume of operations, as there is considerable unused capacity in the country, and a period of more intense competition among refiners is considered to be not impossible unless conditions change materially.

Stocks on hand remain at record high levels, and are one of the most depressing features of the industry, as their carrying costs, including cost of capital invested, insurance, loss by evaporation, deprecia-

(*Please turn to page 280*)

THE TREND

STEEL—Production close to recent record high, but volume of new buying smaller. Prices showing weakness for first time in months. Unfilled orders should show downward tendency from now on.

COTTON—Prices show hesitation, with generally stronger tone and sustained recovery from recent lows. Weather outlook for new crop unfavorable. Retail prices of finished goods show up better than raw commodity.

COAL—Export improving, deferred result of Ruhr situation. Prices somewhat firmer, much larger volume of business and sustained high production of coal of export quality mark improvement.

OIL—Wave of price-cutting appears to be about over, some refined products showing tendency to react from successive reductions of last three months. Record consumption a constructive trade factor.

RUBBER—Prices showing weakness in spite of export restriction program. Export activities of non-controlled fields and falling off in trade consumption here lead to dealers' concessions.

RAILROADS—Earnings for roads as a whole at highest point reached in years; possible decline later in year anticipated. Labor troubles being averted by payment of higher wages to keep labor.

SUMMARY: Gradual downward trend of business activity apparently well established, but slow tempo of decline compared with high levels recently reached warrants belief no sharp break as in 1920 is imminent. Continuing price recessions in wholesale fields so far only slightly reflected in retail prices, while wages still show upward trend. Speculative liquidation of minor importance noted in a few industries.

School for Traders & Investors

Seventh Lesson

Points on Short Selling

THE Ryan attempt to corner Stutz and the Saunders' failure to corner Piggly-Wiggly, should prove to everybody that there is no money in corners for either side. Any one undertaking to corner a stock runs the risk of "holding the bag" and having no one on whom to unload. Those who sell a stock short, and are cornered or nearly so, realize by this time that tremendous losses can be suffered by letting a stock run against one without any effort to limit the risk.

We suppose that the fear of being cornered has more to do with the reluctance of the public to sell stocks short than any other single factor; but when we come to count the corners of the past several years, we find that there is about one chance in a million that a person will be so caught, and even this one chance can be eliminated by limiting the risk to two, three, five or ten points on any short trade that is undertaken. Not to take this precaution, but to leave the way open for a large loss, is a form of financial suicide which we hope none of our students will ever commit. They can avoid this by placing a stop order *at the same time* they sell a stock short. Failure to do this is like buying a house and putting no fire insurance on it.

We will discuss stop orders and their advantages in another lesson; meanwhile we will confine ourselves today to the subject of short selling.

THIS article was written in response to the demand of a number of subscribers that we explain the part the short seller plays in the market. Of course, we could have said a great deal more than is included in these columns (volumes could be written on the subject). The main attempt, however, has been merely to describe the function of short-selling in a practical way, so as to present its broadest general aspect. Subsequent installments of the School for Traders & Investors will deal more at length with this subject.

Speed of a Bear Market

As the average bull market lasts two years and the average bear market one year, making a complete cycle of about three years, it will be seen that the market travels downward twice as rapidly as it moves upward; therefore the man who sells short at the top and is clever enough to cover at the bottom makes as much in one year as the so called long-pull operator can realize in two years if he buys at the bottom and sells at the top.

Notwithstanding the legitimacy and the practical necessity of short selling, many people look upon the bears as enemies of the Republic in general and of the holders of long stocks in particular. In the panic of 1907, there was a great outcry against short selling, which resulted in the appointment by Governor (now Secretary of State) Hughes of a committee to investigate all the operations of the New York Stock Exchange. Part of this committee's report relating to this point is included in the following:

"We have been strongly urged to advise the prohibition or limitation of short sales, not only on the theory that it is wrong to agree to sell what one does not possess, but that such sales reduce the market price of the securities involved. We do not think that it is wrong to agree to sell something that one does not now possess, but expects to obtain later. Contracts and agreements to sell, and deliver in the future, property which one does not possess at the time of the contract, are common in all kinds of business. The man who has "sold short" must some day buy in order to return the stock which he has borrowed to make the short sale. Short-sellers endeavor to select times when prices seem high in order to sell, and times when prices seem low in order to buy, their action in both cases serving to lessen advances and diminish declines of price. In other words, short selling tends to produce steadiness in prices, which is an advantage to the community. No other means of restraining unwarranted marking up and down of prices has been suggested to us."

The Part the Short Seller Plays

From this it will be seen that the short seller plays a very important part in making a broad and stabilized market. The bear is really the friend of the bull. Very often, when the bull wants to sell out there would be no one there to buy from him were it not for the bears who are so deprecated by people who do not understand. A short seller is a potential buyer; he can close his trades only by purchasing, and in so doing he supports the market, in fact, helps to create the demand. If he is clever enough to sense weakness in the market when it is at high levels and looking top-heavy, he is entitled to the reward he gets in the way of profits on short sales. We mention these facts in order that our students may realize that there are two sides to the market and that the short side is just as legitimate as the long side, and if they are to be good traders and speculators they must banish the prejudice which has doubtless grown up in the minds of many of them and remould their ideas to conform to the true facts.

There is another reason why the short side should be favored: It is a well-known fact that the public almost invariably operates on the long side, does most of its buying when stocks are strong and high, and acts as a foil to the professional operator and floor trader. The latter classes know how to take advantage of the short side, and most of the people to whom they sell at the top and from whom they buy at the low prices, are members of that big public who refuse to see the bear side.

The Action of Stewart-Warner

One of the most interesting illustrations of the way in which a stock can become overbought and decline heavily because short interest is lacking, is found in the recent action of Stewart-Warner. Any one who doubts the value of studying the technical position of a stock should be entirely cured by looking into this episode.

In the summer of 1921 Stewart-Warner sold at 21. In March and April, 1922, it worked up to around 35. By June it was 45. In October it touched 53; in November, 60; December, 79. The early part of 1923 marked an almost uninterrupted rise until in March it sold at 123, and in April at 124, or over 100 points in a year and a half—an appreciation of 500%.

The news items which accompanied this rise showed that in 1920 the company earned $4.83 a share; in August, 1921, the business was reported to be going along nicely, its earnings running at the annual rate of about $2.75 a share. For the September quarter, net profits were at an even lower rate. In May, 1922, earnings were reported to be running at about $4 per share. For the half year they equaled nearly $8 per annum, the dividend having

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been raised in April to a $3 rate. In October, the dividend was raised to a $4 basis. In November, an extra dividend of $1 a share was declared. In January, this year, earnings were at the rate of $11 per share, and the dividend rate was raised to $6 per annum.

Enthusiasts on the stock claimed that, while book value was only $49.50 a share, the earning power of the company was very large. Two million dollars of 8% convertible bonds were paid off four years in advance, leaving no funded debt, bank loans, or other indebtedness outside of current bills.

At the height of the bull fever in March and April, this year, the earnings were supposed to be running at about $16 per share. I guess everybody in Chicago, Detroit, and other automobile centers had some Stewart-Warner. There was evidently "no limit to the earning power, nor the high price at which the stock was likely to sell." With automobile production going on at terrific pace, and the demand for speedometers and other accessories outstripping all previous records, there was no trade reason why any one should get bearish.

And that was just the trouble.

Any market which is completely monopolized by the bulls is in a highly unhealthy condition, for a good-sized short interest is absolutely necessary for the protection of the market in any active speculative stock. The position of Stewart-Warner was a good deal like that of an excursion steamer on which the passengers are all suddenly attracted to one side of the boat. The steamer tips over sideways. That is what Stewart-Warner did. A lot of people wanted to get out at the same time.

On Monday, April 30th, the stock opened at 117½, which was ex dividend 2½%. The following 600 shares resulted in a decline to 114, as follows:

100	......117½
200	117
100	......116½
100	......116¾
100	114

It rallied to 116½, but the closing transactions of that day were:

100	115
100	114
500	......113½

During the afternoon of May 1st this was what happened:

500	113
100	112
100	112
100	113
300	112
100	......112¼
200	......111½
200	112
200	......111½
700	......111¼
100	111
100	......110½
200	110
100	......109¾
100	110
100	......109¼
400	109

100	......107⅞
100	......107½
300	106

The stock closed on May 3rd at 104¼. Part of the transactions on May 4th, which resulted in a decline of over 14 points from the previous day's close, were as follows:

1000	.....100¼
200	100
300	..... 99½
200	100
100	 99
900	 98
100	..... 97½
100	 98
700	 97
300	 98
200	..... 97½
200	..... 97¼
100	..... 97½
200	 98
300	..... 98½
100	..... 98¼
100	..... 98¾
200	..... 98¼
200	 98
200	..... 98¾
1000	 98
100	..... 98¼
100	..... 97¾
100	..... 97½
100	 98
100	..... 97½
100	..... 97¾
100	..... 97½
100	..... 97⅞
100	..... 97¾
100	..... 97¼
500	..... 97½
100	..... 97¼
100	..... 97½
100	..... 97¼
100	..... 97⅛

From 12 M. to 2 P.M.

100	...... 97⅛
100	...... 97¼
900	 97
100	...... 96½
400	...... 96¼
700	 96
100	 95
100	 94
300	 91
200	...... 91½
100	...... 91¼
200	...... 90¾
200	...... 90½

On Saturday, May 5th, the stock closed at 94. Monday morning it opened down 5½ points at 85 (1000 shares), and after fluctuating about that level during the morning, it took another dive after twelve o'clock as follows:

100	 85
300	 84
300	 83
200	 82
100	...... 81½
100	...... 80¾
100	...... 80½
100	...... 80¼
100	...... 80½

In looking over these transactions we find numerous wide breaks between sales, indicating that there were no close bids. In order to find buyers the stock had to be offered down until someone was willing to take it. For example, on April 30th there were no sales between 116¾ and 114—a gap of 2¾ points. That could scarcely happen to a stock in which there was a fair-sized short interest. On May 4th there were numerous differences of a point between sales.

The Results of Having No Short Interest

Of course, we have not given all the transactions above, but just enough to illustrate our point. We do not know how much of this 40-point decline was due to wise selling, but the majority of the liquidation appears to have come from the public and the wide gaps between sales served to demoralize those who still held the stock, and undoubtedly forced the decline from ten to twenty points lower than it would have gone had there been a satisfactory short interest.

The episode also illustrates how quickly money can be made on the bear side of a stock which is in a weak technical position; when many enthusiastic bulls hold the stock and few people are bearish on it; in other words when the supply is far in excess of the demand. Once such a supply is let loose it has a cumulatively depressing effect upon the shares. Each point decline weakens so many accounts that forced liquidation is the result.

INTIMATE TALKS WITH READERS

Right Viewpoint About Dividends

THERE are few things connected with investment and speculation that lead astray so often, or so far afield as the dividend question.

After all, the main object of speculating should be to make more money, in order to have *more money to invest.* When we invest, we should seek (a) safety of capital invested and (b) assured income that is more likely to increase than to grow smaller.

All this expresses itself in the desire to buy dividend-paying stocks cheaply, or potential dividend payers at bargain prices, not so much because of an expected rise in cheap stocks so much as the possibility of the inauguration of dividends on them, and their graduation to the investment class.

Many people, especially beginners, are real dividend-fans. We'll explain that term in a moment. Their actions in buying "for the dividend" is, to our mind, productive of certain characteristic movements in stocks that we have noticed for a number of years. Such action is so *marked* that it becomes more than a mere coincidence.

Get hold of a long list of dividend-paying stocks, and note the dates they sell "ex dividend," or the dates of their regular declarations. The quarterly disbursements are the most common and more easily followed.

It seems almost uncanny how, at times

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New York Stock Exchange

RAILS:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale May 29	Div'd $ per Share
Atchison	125⅛	90¼	111¼	75	108½	91¾	105⅛	97⅜	101	6
Do. Pfd.	106¾	96	102⅞	75	95½	72	90⅝	87½	‡88¾	5
Atlantic Coast Line	148½	102½	126	79⅝	124⅞	77	127	110⅛	116	7
Baltimore & Ohio	122¼	90⅝	96	88¼	60¼	27⅝	56⅛	40⅛	49¾	..
Do. Pfd.	96	77¼	80	48¼	66¼	38½	60⅞	55⅜	‡57½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	140¼	154⅛	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	76⅛	62	66⅜	4
Ches. & Ohio Pfd.	..	..	..	..	103⅝	100⅛	104⅞	100⅜	‡101⅞	6½
C. M. & St. Paul	165⅛	96¼	107⅛	35	52¾	16½	26⅜	19⅝	21½	..
Do. Pfd.	181	130½	143	62½	76	29	45½	32½	37¾	..
Chicago & Northwestern	198½	123	136⅞	85	105	59	88	76⅛	79¾	5
Chicago, R. I. & Pacific	..	..	45¾	16	50	22⅝	37⅞	26	29¾	..
Do. 7% Pfd.	..	..	94¾	44	105	64	95	85	‡88	7
Do. 6% Pfd.	..	..	80	35¼	93¾	54	85	75¼	79⅞	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124½	103	‡112	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130½	113¾	119	8½
Erie	61¼	33½	59½	18¾	21⅜	7	13½	10⅛	12	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	20⅝	15	19	..
Do. 2nd Pfd.	39½	19½	45⅝	13⅛	23¼	7⅛	15	10¾	13¼	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	80	69⅞	71¾	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117½	105	‡110¼	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	24⅞	18½	20¼	..
Do. Pfd.	75½	56	65½	40	59½	40	57¾	51	‡52	4
Lehigh Valley	121¼	62⅛	87⅛	50⅜	72	39¾	71⅜	60	62⅝	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	155	85½	90	5
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	17	11	13⅜	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	45½	32⅝	36	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19⅜	13	14¾	..
Do. Pfd.	..	..	64⅞	37½	63¼	33⅜	49	35⅛	39¾	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64⅛	100¼	90½	98¾	5
N. Y., Chicago & St. Louis	109¼	90	90¾	55	91½	23¾	78½	70	75	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	22½	16¼	17⅝	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	21⅝	16⅞	17½	..
Norfolk & Western	119¼	84¼	147⅛	92⅜	125⅛	84¼	117⅝	105¼	109	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	81½	69⅝	72⅞	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅜	43⅞	44¼	3
Pere Marquette	*36½	*15	38⅛	9½	40⅝	12⅛	43	36	41½	..
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	50⅝	33⅞	46¼	..
Reading	89⅝	59	115½	60⅛	108	60¾	81⅛	71½	76	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	49	51½	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	56¾	49½	51½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	27	19⅝	21⅞	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	26½	31¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	95¼	87	90⅝	6
Southern Ry	34	18	36¼	12½	33¼	17⅛	35½	24¾	34	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	70⅞	64	67	5
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	19¾	23	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	144⅞	132	138	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76¼	71¼	73½	4
Wabash	*27⅞	*2	17½	7	14⅜	6	11½	8⅛	‡9¼	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	34⅛	23¼	29⅜	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	22½	16½	‡19½	..
Western Maryland	*56	*40	23	9¼	17¼	8¼	15	10⅛	11⅞	..
Western Pacific	..	..	25½	11	40	13¾	20¼	15	17	..
Do. Pfd.	..	..	64	35	78	51½	63⅜	53	60	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10⅝	7½	7⅞	..

ᴓ INDUSTRIALS:	1909-13 High	Low	1914-18 High	Low	1919-1922 High	Low	1923 High	Low	Last Sale May 29	Div'd $ per Share
Adams Express	270	90	154½	42	84	22	82	68	‡73⅜	4
Allied Chem.	..	..	..	..	91¾	34	80	62¾	72½	4
Do. Pfd.	..	..	..	..	115½	83	112	108⅝	‡108⅝	7
Allis-Chalmers	10	7⅝	49¼	6	59¾	26½	51¼	38½	43	4
Do. Pfd.	48	40	92	32½	104	67½	97½	93	‡90	7
Am. Agr. Chem.	63⅝	33½	106	47¾	113¾	26½	36⅞	15¼	20⅞	..
Do. Pfd.	105	90	103½	89⅛	103	51	68⅞	38½	44¼	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	35½	‡39	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	60	37	40½	..
Am. Can	47⅜	6⅞	68½	19¼	76½	21¾	106	73½	101⅞	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	115	103¼	‡108	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	189	165	172¾	12
Do. Pfd.	124¾	107½	119½	100	126⅛	103¾	125⅞	119¼	‡121	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¼	20¾	6⅜	8	..
Do. Pfd.	107½	91	102¼	78	93	33½	36¾	14	‡16	..
Am. Express	300	94¾	140½	77½	175	76	143½	115¼	‡118¼	8
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	13¾	8⅛	8⅝	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	74¾	47¼	48¾	..
Am. Ice	..	..	49	8⅞	122	37	111½	80	98½	7
Am. International	..	..	62¾	12	132¼	21¼	33½	23	25¾	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	38	20¼	‡24¾	..
Am. Loco.	74¾	19	98¼	46⅝	135¾	58	143½	120⅛	141	10
Do. Pfd.	122	75	109	93	122¼	96½	122	115	‡116	7
Am. Safety Razor	..	..	..	..	22	3½	9⅛	6½	6¾	.25
Am. Ship & Com.	..	..	..	..	47½	4¾	21⅜	14	14½	..
Am. Smelt. & Ref.	105⅛	56⅝	123¾	50¼	89¾	29¼	69½	53	60⅝	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	63¼	102⅜	96⅜	98	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅞	34½	37⅜	3
Do. Pfd.	..	..	..	..	107	78	105¼	100	‡102	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	143⅜	47⅝	85	69	75	..
Do. Pfd.	133½	110	123½	106	119	67½	103¾	101¼	‡105	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23¼	36⅜	24¼	‡25	..
Do. Pfd.	..	..	103	75	103	55¼	65¾	55⅜	‡50⅛	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128¼	92⅛	125½	121¼	122⅞	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161¾	141	147	12
Do. B	..	..	..	..	210	100⅛	159¾	140	146	12
Am. Woolen	40⅜	15	60⅞	12	169½	55½	109⅝	85¾	92⅝	7
Do. Pfd.	107¾	74	102	72½	111¼	88½	111⅞	101⅜	101⅞	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	53½	43⅝	45½	3
Associated Dry Goods	..	..	28	10	68¾	43	89	62¼	76	4
Do. 1st Pfd.	..	..	75	50½	86	49⅞	89	82½	‡83	6
Do. 2nd Pfd.	..	..	49½	35	91½	38	98½	88⅛	‡88	7
At. Gulf & W. I.	13	5	147¾	4½	102⅜	18	34	14⅝	16⅞	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	27	12¾	13¼	..
Baldwin Loco.	60¾	36½	154½	26⅜	156¼	62¼	144¼	123⅜	134½	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	111	‡112	7
Bethlehem Steel B	*51⅝	*18⅜	155½	59¾	112	41½	70	51⅜	55	5
Do. 7% Pfd.	80	47	186	68	108	87	97½	91	‡91	7
ᵃDo. 8% Pfd.	..	..	110½	92½	116⅜	90	111¼	104⅜	104⅜	8
Burns Bros. A	45	41	101½	50	147	76	144½	134½	‡136½	10
Do. B	..	..	..	..	53	43	43	34⅜	38	3

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale May 29	Div'd $ per Share
Calif. Packing	..	..	50	30	87½	48¼	87	79½	82½	6
Calif. Petro.	72½	16	42⅝	8	71⅞	15¾	116½	66¼	1'2¼	7
Calif. Petro. Pfd	95½	45	81	29½	98½	63	110½	94¾	108¼	7
Central Leather	51¼	16½	123	25⅞	110½	22⅛	40½	25	29	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	79¾	63¾	68⅛	..
Cerro de Pasco	..	..	55	25	67½	23	50½	41⅛	43½	4
Chandler Mot.	..	..	109⅞	56	141¼	38¼	76	58⅛	61⅞	6
Chile Copper	..	..	39¼	11¼	29¼	7¼	30⅛	26⅛	27½	2½
Chino Copper	50⅛	6	74	31⅛	50⅞	16⅛	31⅞	21¼	22¾	..
Coca Cola	..	..	..	..	82⅛	18	82¼	72⅝	80	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	30¼	114	99¼	103½	7.80
Columbia Graph	..	..	*166	*97	75¼	1¼	2⅞	1⅛	1⅛	..
Consol. Cigar	..	..	..	..	80	13½	39⅛	24	27½	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	*71¾	69⅝	59⅛	62	5
Corn Prod	26½	7⅛	50½	7	134¾	46	139¼	122¼	131½	6
Do. Pfd.	98½	61	113½	58⅛	122¾	96	122⅛	116¼	‡116¼	7
Crucible Steel	19⅛	6½	109⅞	12¼	278½	49	84½	63½	72	..
Cuba Cane Sugar	..	..	76⅛	24⅞	59⅛	5⅝	20	12⅝	‡14½	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅛	23½	33⅛	..
Endicott-Johnson	..	..	..	..	150	44	94¼	67	71	5
Do. Pfd.	..	..	..	..	119	84	118	111	‡114¾	7
Famous Players	..	..	..	..	123	40	93	73¼	79	8
Do. Pfd.	..	..	..	..	107⅛	66	99¾	90	91¼	8
Freeport Tex.	..	..	70½	25¾	64⅛	9½	22	12½	14½	..
Gen'l Asphalt	42⅞	15½	39⅛	14¼	160	32½	54	37	40½	..
Gen'l Electric	188½	129¼	187¼	118	190	109½	190⅛	170½	176½	8
Gen'l Motors	*51¼	*25	*850	*74½	42	8⅛	17½	13¼	14⅞	1.20
Do. 6% Pfd	..	..	90½	72¾	95	63	89	83	‡84	6
Do. 6% Deb.	..	..	..	..	94¾	60	90	82⅞	83⅛	6
Do. 7% Deb.	..	..	..	..	100	69	105	96¾	99⅛	7
Goodrich	86½	15½	80¼	19⅝	93⅛	26⅝	41⅛	30	31⅞	..
Do. Pfd.	109¾	73⅛	116¾	79⅞	109½	62½	92½	84	83½	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¼	24⅞	36	27½	29½	2
Houston Oil	25½	8¼	86	10	116½	40½	78	60	64½	..
Hudson Motors	..	..	..	..	26¾	19½	32¼	23¾	25⅞	2
Hupp Motors	..	..	11¾	2½	26⅛	4⅝	29½	20¾	22	1
Inspiration	21⅛	13⅞	74¾	14¾	68⅞	28	43¾	32⅝	33	2
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67¾	7⅛	11⅝	8	‡8	..
Do. Pfd.	27⅛	12½	125⅝	8	128½	36	47	30	‡31	3
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	16¼	13⅛	14	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	58⅝	39½	‡45¾	..
Invincible Oil	..	..	..	..	47¼	5½	19¼	13½	14⅛	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	62⅛	42¼	47	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	108	96¼	‡97½	8
Kennecott	..	..	64¼	25	43	14⅝	45	34⅝	37⅝	3
Keystone Tire	..	..	46½	11	126¾	4¾	11⅛	6	7	..
Lackawanna Steel	55½	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅛	52	74⅞	58⅝	67	4
Loews, Inc.	..	..	..	..	38⅛	10	21¼	14½	17	..
Loft, Inc.	..	..	..	..	28	7⅜	11¾	7⅛	7⅛	..
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	30½	25⅝	26⅞	2
Middle States Oil	..	..	..	..	71¾	10	12¼	8½	10⅝	1.20
Midvale Steel	..	..	98½	39½	62¼	22	33⅝	26	27½	..
Nat'l Lead	91	42½	74⅝	44	129¼	63½	136¾	111¼	123½	8
N. Y. Air Brake	98	45	136	55⅞	145¾	45⅛	61½	46	‡48¼	4
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	27	18⅛	24¾	..
North American	*87⅞	*60	*81	*38⅞	100¾	32¼	24⅛	17½	21⅝	2
Do. Pfd.	..	..	..	..	47¼	31⅞	48½	44½	44½	3
Pacific Oil	..	..	..	..	69⅛	27½	48⅞	35	37¾	2
Pan. Amer. Pet.	..	..	70¾	35	140¼	38⅛	93½	67½	74¾	8
Do. B	..	..	..	..	111¾	34⅛	86	64¾	69	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	50¼	41¼	47	3
Phillips Pet.	..	..	..	..	59¼	16	69⅝	46¼	53¾	3
Pierce Arrow	..	..	65	25	99	9¼	15¼	9¾	11⅜	..
Do. Pfd	..	..	109	88	111	18⅞	72½	62½	66	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	67⅞	58	66⅜	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	81½	51½	56	..
Do. Pfd.	112	88½	109½	69	106	83	99¾	86	‡88	7
Punta Aleg. Sug	..	..	51	29	120	24¾	69¼	43	62¼	..
Pure Oil	..	..	143⅜	81⅜	61⅞	21⅛	32	20	23½	2
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	123	109	113¼	8
Do. Pfd	113⅜	90¼	105½	75	120	92½	121½	115½	116¼	7
Ray Cons. Cop	27½	7½	37	15	27½	10	17¼	12½	13⅛	..
Replogle Steel	..	..	..	..	93½	18	31¾	18	20⅛	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	66¼	46¼	51⅞	..
Do. Pfd.	111¼	64½	112⅜	72	106¾	74	96⅞	89	‡95¼	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	55⅛	42½	48⅛	2.42
Shell T. & T	..	..	..	..	90¼	30⅞	42¼	34⅜	‡37¼	92½
Sinclair Con. Oil	..	..	67⅛	25¾	64⅛	16½	39⅜	27¾	30⅞	2
Stand. Oil N. J	*448	*322	*800	*355	*212	38⅜	44¼	33⅞	36⅛	1
Do. Pfd.	..	..	..	..	120	100⅛	118	115½	115½	7
Stromberg Carb	..	..	45¼	21	118¼	22⅛	94¼	62¼	75	7
Studebaker	49½	15¾	195	29	151	37¾	126⅜	106⅛	112½	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	114	112	‡114	7
Tenn. Cop. & Chem	..	..	21	11	17¼	6¼	12¾	9⅞	10	1
Texas Co.	144	74½	243	112	57¾	29	52⅞	43¼	46½	3
Tex. Pac. C. & O	..	..	..	..	195	15¾	24¾	15½	16⅞	1
Tobacco Prod.	145	100	82⅜	25	115	45	69½	49½	53	..
Transcontl. Oil	..	..	..	..	62⅝	5⅝	14½	6⅛	8½	..
United Fruit	208½	126½	173	105	224⅞	95¼	183	152½	‡170½	10
Un. Retail Stores	..	..	..	..	119¼	43½	[illegible]	64⅛	77¼	3½
U. S. Ind. Alco	57¼	24	171½	[illegible]	167	35¼	[illegible]	49¼	56¼	..
U. S. Rubber	59½	27	80½	[illegible]	143¾	40½	[illegible]	49¼	52¼	..
Do. Pfd.	123½	98	115¼	[illegible]	119½	74	105	98¼	100	8
U. S. Smelt. & R.	59	30⅜	81½	[illegible]	73¼	26	43⅜	29	31	..
U. S. Steel	94⅞	41¼	136⅝	[illegible]	115½	70¼	109⅝	95	97⅝	5
Do. Pfd.	131	102½	123	[illegible]	117½	104	123½	116¾	117½	7
Utah Copper	67½	88	130	[illegible]	97½	41⅛	76½	61¾	65½	4
Vanadium	..	..	..	..	97	25⅛	44⅝	30	33¼	..
Va.-Caro. Ch.	70⅛	22	60¼	[illegible]	92½	20¾	27	8	10⅝	..
Do. Pfd.	129½	62	115⅜	[illegible]	115⅞	57¾	69	25¾	29¼	..
Western Union	86¼	56	105½	[illegible]	121¼	76	119½	104	108¼	7
Westinghouse Mfg	45	24⅜	74⅞	[illegible]	59⅞	38⅞	67⅛	52⅞	55¼	4
White Motors	..	..	60	[illegible]	86	29¼	60⅞	48⅝	52	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	6½	7⅛	..
Wilson Co.	..	..	84⅛	42	104⅞	27⅛	42¾	27¼	‡29	..
Woolworth	177⅜	76⅛	151	81½	223	100	239½	199⅛	229⅞	8

* Old stock. ‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(*Continued from page* 249)

from our examination of the security behind the bonds, we see no reason why they could not be included:

	Price	Yield %
Anaconda first mortgage 6s, due 1953	97	6.25
Sinclair Consolidated first lien and collateral 7s, due 1937	100	7.
Philadelphia Co. 6s, due 1944	100	6.
United States Rubber 5s, due 1947	87	6.
Public Service Corp. of N. J. 5s, due 1947	84	6.1
St. Louis & San Francisco prior lien 4s, due 1950	66	6.7
International Paper first mortgage 5s, due 1947	85	6.2
Computing Tabulating Recording 6s, due 1941	98	6.2
American Tel & Tel 5s, due 1937	97	5.5

By dividing the money among these issues, the yield will be quite liberal and we feel that no undue risk would be assumed. It is true that most of these issues are not considered gilt-edge, but they are mortgages of companies that have good records and which appear to be on the up-grade at the present time.

BETHLEHEM STEEL

Is the Dividend Safe?

Am very anxious to have your opinion as to the safety of Bethlehem Steel's 5% dividend. I bought the stock around 60 and am undecided whether or not to take my loss.—W. W. T., Vicksburg, Miss.

Bethlehem Steel dividend of 5% cannot be considered very secure at the present time. Whether the company will be able to continue it or not depends, in our opinion, on how conditions in the steel industry work out in the next six months. By taking in Midvale and Lackawanna, Bethlehem Steel has largely increased its outstanding common stock, and while this merger should ultimately be a favorable development considerable money will have to be spent in amalgamating these properties and the benefit from this may not be reflected immediately. Any slowing up in the steel industry therefore would be likely to result in reduction or passing of dividends. We consider the outlook rather uncertain at this time and our advice is to switch into Manhattan Rwy. modified guaranteed selling around 42 and paying 3%. Under the terms of the lease as modified by the Interboro Rapid Transit Co. this stock will be entitled to a 4% rate in October of this year and a 5% rate in October 1924. By making the switch we feel you will have a stock with less risk attached and one that will appreciate sufficiently in value to make up the loss you will have to take in selling your Bethlehem Steel.

SPICER MANUFACTURING

Current Earnings Good

Having purchased Spicer Manufacturing stock at 22 the recent decline to 16 has had me worried. I have the stock outright and a temporarily lower price does not bother me if the company is all right. How are earnings running and what is the outlook for dividends?—J. J. K., Paterson, N. J.

Spicer Manufacturing for the first quarter of 1923 earned $1.23 a share on the common stock and the outlook is for still better showing in the second quarter. The decline in the stock has been, in our opinion, due to the generally unfavorable market conditions rather than anything of an unfavorable nature relating to the company itself. No dividends are expected on the stock this year as the company has $1,200,000 notes to pay off but with earnings running at the present rate the company should be able to accomplish this in the current year. This would open the way for dividends in 1924, provided of course that there is no important slump in the automobile industry to curtail Spicer's earnings.

ALLIS-CHALMERS

Increase in Orders

Please let me have the latest information on Allis-Chalmers. This stock sells low for a $4 dividend. Is there any weakness in the financial condition of the company?—G. P. F., Crawfordsville, Ind.

Allis-Chalmers for the quarter ended March 31, 1923, only earned 69c a share on the stock which is a little less than dividend requirements. However, the company has recently taken on considerably more business and unfilled orders April 1, 1923, amounted to approximately 12 million dollars which compares with $8,215,000 at the close of 1922 and $7,300,000 April 1, 1922. This is the largest volume of unfilled orders the company has had on hand since March 31, 1921, and should enable it to make a better showing for the balance of the year. Allis-Chalmers is in very strong financial condition with a working capital of twenty-three million dollars and no bank loans.

DOME MINES

Switch Advised

Have 100 shares of Dome Mines, which cost me 20. Is the life of this mine accurately determined. In other words, I want to know if there is any chance of their present rich ore giving out soon? Would you hold the stock? F. B. V., Jackson, Mich.

Dome Mines for the nine months ended Dec. 31, 1922, earned $3.07 a share on the stock as compared with 59c a share for the same period in 1921. This important increase in earnings has been due to the uncovering of richer ore bodies. While expert mining opinion is to the effect that this mine will have a long life and continue to show rich values, a large amount of ore has not been blocked out and the investor cannot be absolutely assured that these high values will continue. On the earning power the company has demonstrated up-to-date, we feel that the stock is selling high enough. In July, it is anticipated that the stock will be put on a $4 dividend basis, which at present levels is a very attractive yield, but it should be realized that in a mining property such as this the principal must be amortized; in other words, part of the dividend payment should be considered as repayment of

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WHY WE LOST OUR TRADE BALANCE

(*Continued from page 208*)

us, and we were in no mood to allow them to sell us what little they could.

In the long run, however, international trade cannot be carried on on a gold basis. We already have an excessive and burdensome proportion of the world's gold reserves as it is, and when we have taken in all the gold that is not clamped away tight in Government treasuries we shall find ourselves confronted with a number of disagreeable alternatives.

We may find that nobody can afford to buy from us any more, because of lack of gold to pay us with; or that we shall have to import on a much larger scale than ever before, to enable our customers to settle their accounts with us; or we shall have to extend long-term credits, taking paper in exchange for goods, while the paper sooner or later will bear not only principal but interest which will have to be settled somehow all over again.

A Possibility

At the same time, the gold that we take in is used to extend further credits within this country and so keeps prices high and further limits our ability to export competitively. Should the balance of trade remain against us for a protracted length of time, we might well see a reversal of this trend, as we had in 1920, and find gold leaving the country faster than it comes in.

Judging by the history of recent years, should we have a period of business depression, or even of declining activity in the home market, export activity would take a new lease of life, as it has in the past every time the domestic market "went back" on the manufacturers. There have been good reasons why these spurts have been sporadic, in the past, and not the least of these reasons has been our refusal, as a nation, to receive sufficient imports to pay for the exports, and our insistence, as a nation, that we be paid in gold where possible. In this way the fluctuations in domestic prosperity (indicated in our graph by the fluctuations of wholesale prices), our net gold imports, and our foreign trade have been closely linked up.

Capitalization

Should we develop an independent, expanding and vigorous export trade, these relations would be changed. Export business would no longer vary inversely with domestic business, and it might do much to stabilize the latter. Imports would probably increase as fast as if not faster than exports, and if they increased fast enough, we might find ourselves exporting gold at the same time that we are increasing our exports of goods. Such a situation would show that more or less normal conditions were being reestablished in international trade, and that the export trade of the United States was at last beginning to develop from a sound foundation.

AMER. SMELTING & REF. CO.

(*Continued from page* 241)

ten years, bond interest has never been earned less than twice over and only on three occasions less than 5 times. The preferred stock has paid full dividends without a break since the organization of the company in 1899.

Common dividend payments have been quite conservative, compared with earnings, and the passing of the dividend in June, 1921, was the first interruption since 1904.

Strong Financial Position

The financial position is very strong. According to the latest balance-sheet, dated Dec. 31, 1922, the company had a working capital of 47.7 millions and a current ratio of 4½ to 1. Cash and equivalents in the form of Government securities and call loans amounted to 7.6 millions. It is reported that by April 31 of this year the working capital had been increased to 50.2 millions and cash plus equivalents to 19.5 millions, though part of the increase is undoubtedly due to the bond issue which was floated recently.

The thorough overhauling of the company's affairs which lasted from 1920 to 1922 by two stockholders' committees, with additional voluminous reports by disinterested arbiters, by the president, then under attack, and by a group of minority stockholders headed by a former official at the instance of the latter, has had the substantial result of justifying the actions of the present management and has indicated that the properties acquired at various times from interests associated with the present management were not overvalued.

Prospects for a resumption of dividends on the common are bright, in view of the statements of various officials that once earnings justified it, such payments would be recommended. It is by no means unlikely that this may happen at the next meeting of the directors in August.

Conclusion

Should a $5 rate be declared, as expected, the present price of 55 would make the stock seem cheap. On the other hand, the present situation of the market does not invite long commitments of a speculative character.

INTIMATE TALKS WITH READERS

(*Continued from page* 254)

during the big manipulative climaxes in the market, stocks in the dividend-paying class swing up and down during three-month intervals, the turn in them generally coming at or around the dividend period. There is a good reason for this. Suppose, we will say, Union Pacific paying $2.50 quarterly is at the fair level of $150 a share in a bullish market, and this dividend is "ex" a certain day a week or two ahead.

You, I, and the average investor makes it his special business to buy "Union"—*before the dividend comes off.* There is no good reason for doing this, except the thought in the minds of many speculators that, although the stock sells "ex" on a certain day, and will generally be quoted about 2½ points below the previous day's closing price, that it will "make up" the dividend: that is to say, that in a few days the bullish trend will cause an advance sufficient to bring it back to 150 and higher.

As a factor in buying and selling, as a "point" in trying to make some profits, and even in investing, our recommendation would be to buy or sell most investment issues regardless of dividend dates.

We use the word *sell* advisedly, because many investors who would otherwise take profits, make an exchange, or get out, stay in because "in a few days this stock sells 'ex' and I'd like to have that dividend." The law of compensation operates very nicely against the individual who is thinking of handing his neighbor something shorn of its vermiform appendix in the way of the last quarterly dividend, and it is the writer's observation that the greedy or calculating one is often made to disgorge in some other way.

By the time everyone knows that this or that stock is about to award its faithful stockholders with a 100 per cent or more stock dividend, other people who studied the stock, the company, its earnings, and prospects, have already accumulated it on its merits—and perhaps also because they learned *a little earlier* that "something of the kind was in the air." It is but reasonable to suppose that at the time of general dissemination of the good news, these people are no longer buying and helping its market with their support. On the contrary, they are already on their toes, with their stock in hand ready to hurl it forth to the eager crowd of buyers not so well informed on the company, or late in hearing the good news.

We will not weary you with repetitions of the statement that a stock dividend is not always a real bonus, since the stockholders award it to themselves in the way of smaller portions of the same pie in place of the big slices they already hold. An orange contains so many "quarters" and no amount of arithmetic or gymnastics will provide more "quarters," or more numerous "pits." But the public is susceptible to the bullish psychology of the moment. Higher prices prevailing when the extra dividend and "melon" talk is rife usually comes at a time when the entire atmosphere is favorable to spending rather than caution: and so the "stock" and extra dividend appeal always draws a large following. This is not to say that at certain times it will not pay to "buy for the dividend," whether it be an extra, or a melon, or the usual quarterly disbursement.

But it will pay to be very cautious about being influenced too greatly by (a) the fact that a stock "sell ex" on a certain day, (b) rumors that a dividend is about to be increased, (c) desire to secure a dividend running into 100 or more per cent.

Current Bond Offerings

Market Tone Better

THERE was a slight increase in the value of new bond issues but not of sufficient size to suggest that new bonds would come on the market in much larger amount than has been the case recently. An interesting feature was the paucity of new industrial issues. Railroad and public utility issues were also few.

Improvement in the demand for giltedge securities was reflected in the feeling among investment houses that specialize in new offerings. It is probable that should the old bond market continue its improvement, the result would be to stimulate interest in new security offerings.

The Austrian Loan

A feature of interest is the announcement of a $25,000,000 offering of the $130,000,000 Austrian loan. The fact that the syndicate behind this offering considers this a propitious time for floating the bonds may be taken as an indication of the improved tone of the market in general.

NEW BOND OFFERINGS

	Amount	Off'd Yield (%)
STATE AND MUNICIPAL		
Los Angeles, Cal.	$4,500,000	4.35–4.40
State of Mass.	1,000,000	3.00–3.35
Bridgeport, Conn.	600,000	4.15–4.40
Polk County, Iowa	600,000	4.60–5.00
Harrisburg, Pa.	800,000	3.95
Portland, Ore.	500,000	4.35–4.40
Hudson Co., N. J.	500,000	4.15
Omaha, Neb.	600,000	4.35
Zanesville, Ohio	715,000	4.60–4.70
FOREIGN		
Republic of Panama	$4,500,000	5.65
RAILROAD		
Chic., R. I. & Pac.	$7,000,000	5.87
PUBLIC UTILITIES		
Power Corp. of N.Y.	$1,000,000	6.50
Kan. Gas & El. Co.	3,500,000	6.35
Jersey Cent. Power & Light Corp.	3,500,000	6.75
INDUSTRIAL		
Baldwin Co.	$1,800,000	6.00
FARM LOAN		
Pacific Coast Jt. Stk. Bank	$3,000,000	4.67–5.00
N. Y. & Penn. Jt. Stk. Bank	1,000,000	4.55–5.00

Interest rates have again turned easy and no stringency in the money market is expected during the period immediately ahead. An interesting feature is that of bonds recently issued, very few have been offered at over a 6½% rate with the average around 6%. This is particularly interesting in view of the fact that so many issues on the Stock Exchange can be bought to secure a yield of the same amount or even more. Evidently competition from old bonds is not affecting the new bond market seriously.

WHO WILL BE OUR NEXT PRESIDENT?

(*Continued from page 203*)

Delegates from many of the Western and Southern states, they say, will never vote in convention to nominate Governor Smith and he cannot get a two-thirds vote without these delegates. They believe Smith would be elected if nominated, but say nomination is beyond reach because of a religious prejudice that will not down even in a country founded in part on the doctrine of religious freedom.

The Democratic contest, therefore is one unusually puzzling even to the more astute politicians of the party. They reason it out that McAdoo is handicapped by the opposition of New York and the East; that Underwood cannot run the blockade of Bryan and the radical drys; and that Governor Smith will be unpopular with more than a third of the delegates because of his religious faith. Consequently, the Democratic politicians turn to a list of "dark horses" and comparative unknowns and the list is growing longer each day.

Realizing that the proposition is "loaded" every effort will be made by the Democratic chiefs to sidestep the issue of prohibition and light wines and beer in the party platform. Back East there is considerable Democratic sentiment for modification of the Volstead law, but the arid Southerners and Westerners, and the Bryan faction, will fight desperately any attempt to inject a moist plank in the party utterances.

All indications are that President Harding is going to be a "dry" candidate, meeting the test of the Anti-Saloon League and coming out squarely for drastic prohibition enforcement. Anticipating the possibility that the opposition may be just a little moist, the supporters of the President appear to be grooming him to lean backward on the dry issue and to announce himself as "bone dry."

It is not thought in Washington that President Harding will have serious trouble about a renomination, albeit the renomination road is not entirely clear of obstacles. There is a deepening impression that Senator Hiram Johnson, who is now in Europe gathering up ammunition to attack the administration on its foreign policies, will be a receptive, if not an active, candidate for the Republican nomination. Senator La Follette, even more radical than Johnson, is constantly in the

spotlight and has never set free the Presidential bee that buzzed him a dozen years ago. Senator Borah, opposing the President on the general run of foreign policies, apparently has no thought of the presidency but will continue to lambast away in the Senate chamber.

Senator Ashurst, by the way, who recently was in Idaho, found that state strongly supporting Senator Borah and the re-election of Borah next year seems assured. Ashurst, a Democrat, says he found Borah had strength in both parties in Idaho.

Republicans estimate that the next Congress and the state of the union in November, 1924, will have controlling influence on the fate of President Harding when he comes up for re-election. They argue that if the country remains prosperous, if labor is getting good wages, and if business is not too much disturbed by the works of the next Congress the President will be re-elected. It is admitted there was considerable discontent a few months ago, and that the President was losing ground about the time of the coal strike and a seemingly impending railroad strike, but they aver that the drift is now in the other direction and the President is regaining his popularity with the masses. It is difficult, they reason, to overturn an administration in times of prosperity and a full-dinner pail.

On his forthcoming transcontinental tour and trip to Alaska, President Harding has stipulated that he is not to be regarded as a candidate and he will eschew partisan politics in his speeches. That long journey, however, will give the West a look at the President and the reaction to his addresses on national problems will make possible in the near future a more reliable estimate of Mr. Harding's present standing with the voters.

Meanwhile, the President inevitably faces an amount of trouble in the Senate over his foreign policies. More Senators have gone, or are going, to Europe this summer than ever before. Approximately a third of the Senate membership will have visited Europe before Congress reconvenes. Each legislator says he seeks "first-hand information" about conditions on the other side, and each will return loaded with speeches and observations that may harass the administration. Then, too, Republican control of the Senate is precarious, and a great drive will be made to wring radical legislation from the Republicans as the only means of maintaining party solidarity in 1924. There are even prophets who say the drive will win and that the Democratic party will have to be the hope of conservatism—barring a Ford stampede.

All that is worry for the Republican administration and the party. Democratic worries are along other lines; chiefly, how to put the brakes on Henry Ford and his latest champion, William Randolph Hearst; how to sidestep the light wine and beer issue; how to turn down Al Smith without angering New York and Tammany Hall and whom to select, in a rather limited field, to run against Harding.

And this is why Washington seethes with politics, and draws politicians like a magnet attracts steel, a full year in advance of the national conventions.

POINTS FOR INCOME BUILDERS

(*Continued from page* 236)

Gushers are not things to get overexcited about for two reasons: First, the volume of oil forced out from a gusher is often found a more accurate index of the gas pressure than of the quantity of oil secreted. Secondly—and more important—the great force of the gusher-flow creates a similarly great suction below ground, which pulls toward the oil supply everything "pullable" below ground, as well as oil itself. Generally, the other "pullable" thing is water, which emulsifies the oil and renders it, in large measure, unfit for commercial use.

"Light Grade Crude"

The crude oil which nature stores up below ground for man's use is not by any means standardized as to quality. Indeed, it varies considerably with localities.

According to the degree of variance, crude is described as "light" or "heavy." The "light grade" crude is oil of comparatively high gravity, also comparatively rich in gasoline, which on account of its constituency commands a higher premium at the market place. Particularly high-grade crude comes from the oil fields of Pennsylvania and Wyoming.

"Heavy grade" crude is crude of lower gravity, with what is known as an "asphaltic" base.

Pipe Line

It is, of course, unnecessary to say that a "pipe line," as applied to the oil world, is an underground system for transporting crude oil, generally from the place of production to the refinery center. Today, vast networks of oil pipe line stretch all over the United States. At various points along a given pipe line occur—

Pumping Stations

—which are auxiliary power plants supplying the power needed to force the oil along its route.

Depreciation and Depletion

Although not exactly an *industrial* term, like "gusher," "wildcatting," etc., "depreciation and depletion" cover such an essential phase of the petroleum-producing business that they cannot be overlooked.

"Depreciation and depletion" is the term applied to the moneys that should be set aside out of each year's earnings to make up for (1) the lessened value due to wear and tear, of a company's plant and equipment and (2) the lessened value of its holdings, due to extraction of its supplies below ground. It has been said—conservatively, no doubt—that a well-managed oil company will charge off at least 15% of its plant and property values annually on account of depreciation and depletion.

Many oil companies—at least among the independents—make more or less a practice of undertaking to charge off "conservative sums" to depreciation, etc., each year, and then, after a year or two of operations, forget their pledge. They have a reason for their forgetfulness, no doubt; reserves of this sort have a way of giving a black eye to earnings in poor years. Those who want to gamble on companies of this sort are free to do so, but what's the use?

HOPE DEFERRED ON ANTHRACITE ROADS

(*Continued from page* 219)

to subscribe at $4 per share to stock in the Coal & Iron Company. The latter will have a capitalization of 1,400,000 shares. Since there are 2,800,000 shares of Reading stock outstanding, including both classes of preferred and common, each holder will obtain one share in the coal company for each two shares that he now owns.

The real asset value of Reading stock has always been a mystery, estimates covering a very wide range. There are unquestionably very large equities in its constituent companies. When Jersey Central stock is ultimately sold the sum realized will probably accrue to the Reading stockholders in some form. The coal company will certainly prove a good earner when operated independently, and it is not unlikely that its stock can be placed on a $3.00 or $4.00 dividend basis.

Reading common has been paying $4 per share since 1914. In 1922, earnings were $6.33 after deducting preferred dividends. The Philadelphia & Reading Rwy., as previously mentioned, is operating under the most favorable conditions of any of the group. **In view of the large equities which it contains Reading at its current level of 74 appears to occupy a sound investment position.**

MARKET STATISTICS

	N.Y. Times	Dow, Jones Avgs.		N.Y.Times 50 Stocks		
	40 Bonds	20 Indus.	20 Rails	High	Low	Sales
Friday, May 18	77.50	95.07	81.33	84.85	83.83	495,740
Saturday, May 19	77.56	94.70	81.00	83.75	83.17	384,500
Monday, May 21	77.56	92.77	80.13	83.59	81.53	1,224,090
Tuesday, May 22	77.55	93.58	80.66	82.85	81.25	1,361,360
Wednesday, May 23	77.70	93.90	80.91	83.53	82.52	892,465
Thursday, May 24	77.71	96.03	82.70	85.11	83.15	1,153,445
Friday, May 25	78.03	96.65	82.35	85.64	84.62	1,060,870
Saturday, May 26	78.06	97.48	82.58	85.78	85.21	595,982
Monday, May 28	78.02	97.25	83.16	86.55	85.28	1,045,900
Tuesday, May 29	77.96	97.66	83.09	86.45	85.50	663,011
Wednesday, May 30	Holiday					
Thursday, May 31	77.93	97.53	83.04	86.67	85.84	660,100

HOW BANKS MAY GET NEW BUSINESS

(*Continued from page* 246)

of it without being compelled to make onerous exactions as to the amount to be kept on hand. A good deal of progress can be, and in some cities has been, made along similar lines by urban banks whose clientèle consists largely of wage workers or small-salaried men.

Some Dangers of Competition

There are undoubtedly dangers of competition in banking. They appear not only in the country districts, but among city institutions whose disposition is to make at times undue concessions to customers not entitled to them, and to furnish a kind or grade of service for which the business affords no satisfactory warrant. Fortunately banking is a kind of enterprise in which such over-exertion very quickly produces its own penalties which in turn react upon the institutions that are guilty of them. Altogether, therefore, the dangers of competition, seen in unduly high interest on deposits, unwarranted concessions to customers, and excessive allowances of credit, tend to be self-corrective.

Banking is passing out of the stage of exploitation and over-advertising, and is being reduced to a relatively scientific basis. It has a definite future of its own, and it is subject to laws of development which run quite closely parallel to those of general business. It is entirely possible to "overbank" a community or to overdevelop a line of competition, and thereby to produce the results which always come from such excess. Every bank must look carefully into the question of getting new business, and must steadily reject business for which it has to pay too high a price.

In a general way, its effort should be based upon developing business which can feed and sustain itself, rather than that which is constantly subject to the danger of diversion. This is another way of saying that legitimate banking competition is found in the rendering of the twofold service of credit granting and deposit establishment already referred to. Neither one is likely to go very far or be very successful without the other.

"HOODOO" STOCKS

(*Continued from page* 227)

Its financial position, as of the end of 1922, was excellent, working capital amounting to $46 a share, while surplus was 9.4 millions compared with 1.4 millions in 1918. Yet the stock is selling at around the low of 1922, and several points under the lowest point of 83 which it reached in 1919 after its listing on the New York Stock Exchange.

At current prices it yields well over 10%, which is remarkably high considering the earning power and financial strength of the company. In such cases, it may well be said that the speculator's loss is the investor's gain: the fact that this stock refuses to move marketwise in accordance with its brilliant fundamental

position is a disappointment to the speculatively inclined, but offers an unusual opportunity to the simon-pure investor.

Both the preceding cases may be explained, the one on account of the continued postponement of the dividend over a long period of time when the company was apparently perfectly able to pay, and the second on account of the lack of market seasoning of the company and the industry, leading to a lack of confidence on the part of stockholders in the continuance of the dividend.

The situation in **AMERICAN TEL. & TEL.** is harder to explain. There is little doubt in any quarter as to the continuance of the present $9 dividend on this stock, yet its current yield of 7.4% is well above the yields on similarly safe dividend payers, such as Pennsylvania Railroad, yielding 6.8%, or New York Central, yielding 5.2%. This condition has persisted for a long time, as the lowest yields recorded for the past few years indicated: 1922, 7.0%; 1921, 7.6%; 1920, 8%, and 1919, 7.4%. For years, therefore, American Tel. & Tel. has been one of the best investment buys on the list, although speculatively a disappointment.

OUR SPENDTHRIFT MUNICIPALITIES
(*Continued from page* 211)

tent, means the reduction of the possibility of large individual savings.

Furthermore, since these municipal bonds are tax-free, it means that after a while the very wealthy will no longer have to pay taxes because they will have placed their total capital in these issues. In that case the average man will be paying relatively more than his share and that will proportionately increase his cost of living.

A Way Out

What is the way out?

One way out would be a national protest against municipal extravagance. Citizens should demand that the municipality, at least for a number of years, pay as it goes, that it stop adding to its permanent debt, and that every proposed bond issue be put to a referendum.

Unless such steps or others equally effective are taken, it may be taken for granted that this country will sink further and further into an abyss of debt and that we will finally get to be the most tax-ridden nation on earth.

There are few subjects of greater importance to Americans. They should arouse their conscience to the evil situation which has been developing in the past few years and find some ways of combatting it.

There is this much to say, in conclusion. As long as business continues relatively active, we shall not feel the effects of the high tax rate too intensively. **But, let foreign competition sweep our markets at home and abroad, and let a first-rate depression set in, and you will find that the burden of debt with which we have saddled ourselves will become well-nigh intolerable.**

Indeed, do you not think that many municipalities would in that case postpone payment of their debt in common self-interest?

Certainly, America owes itself to awaken to the situation!

HESITATION APPARENT IN TRADE
(*Continued from page* 212)

about nine years. In ordinary circumstances, it would mean a movement of gold out of the country; but at the present time we have, as is well known, large quantities of claims upon foreign countries which they must liquidate and which tend to offset a correspondingly large volume or proportion of adverse balance of trade.

The situation is annoying chiefly because it represents a loss in competitive power which has resulted in depressing our foreign market opportunities and turning them over to producers and exporters in other countries who have taken advantage of them. Looked at from the standpoint of the future, the situation thus suggests a condition which may prove serious if it is allowed to run on indefinitely. It is true that the reduction of manufacturing will tend strongly to reduce the volume of importation, because so large a proportion of the latter consists of raw materials of manufacture. Nevertheless, the distinct reversal of the balance of our foreign trade for the first time in nine years betokens the arrival of an important turning point in business. Precisely how it will affect domestic production remains to be seen, but the natural consequence of it would seem to be that of reducing, in some measure, our home output of manufactures.

WHAT IT REALLY MEANS TO BE A BIG EXECUTIVE
(*Continued from page* 206)

Ink Manufacturers' Association. Makes speech on "Europe's Present-Day Problems."

4:30—Back at the office. Signs 38 letters left on his desk by the secretary—thus displaying further executive ability.

4:45—On way out, notices that wastebasket of second stenographer from the right, third row from the front, is full to overflowing, and directs that basket be emptied. This proves that concentration on the larger problems of the business has not lessened his ability to cope with matters of detail, and displays a remarkable degree of executive ability.

Of course, in the foregoing brief summary we have been unable to do justice to the necessary and self-understood golfing, business trips to Palm Beach, negotiations with the bootlegger, visits from old friends, and other so-to-speak extramural activities of the executive's life. We have tried to sketch in lightly the qualifications of an executive and the proper executive

approach to the problems of running a big business.

It is hard to say how these qualifications should be developed, except that it is not wise to begin by practice. We should scarcely advise an ambitious bank clerk, for example, to practice handing over columns of figures to the office-boys to do for him, or to call a conference if he is asked to look up Jones' account.

A better way might be to concentrate on making speeches on European problems. Some attention should also be given to the art of being interviewed, especially by ship-news reporters as one comes off the gangplank. As a sideline, ambitious would-be executives should also practice writing signed statements, denials of rumors, warnings against inflation, denunciations of Congress, and similar duties which he will be called on to perform later in his career.

Executives should keep in constant touch with their customers, with the public, so as to sense changes in demand and in business conditions. For this purpose they must do considerable travelling, naturally. And if the call of sovereign Duty leads them to Atlantic City or Florida or California, who would be so bold as to say them nay?

Securities Analyzed in This Issue

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Securities Analyzed in This Issue

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	100½	5.95
Adirondack Electric Power 1st 5s, 1962	A..	96	5.20
Alabama Power Co. 1st 5s, 1946	B..	91½	5.65
Appalachian Power Co. 1st 5s, 1941	B..	89	6.00
Appalachian Power Co. 7s, 1936 (Non-Callab'e)	B..	101	6.90
Ashville Power & Light 5s, 1942	B..	94	5.50
Carolina Power & Light 1st 5s, 1938	B..	95	5.40
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	103½	6.65
Colorado Power Co. 1st 5s, 1953	B..	89	5.75
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	95	5.65
Electrical Development of Ontario 5s, 1933	B..	96½	5.50
Great Northern Power Co. 1st 5s, 1935	B..	90	6.10
Great Western Power Co. 5s, 1946	B..	92	5.60
Hydraulic Power 1st & Imp. 5s, 1951	A..	98	5.15
Indiana Power Co. 7½s, 1941	B..	102½	7.25
Idaho Power Co. 5s, 1947	B..	90	5.75
Laurentide Power Co. 1st 5s, 1946	A..	94½	5.40
Madison River Power Co. 1st 5s, 1935	A..	98½	5.20
Mississippi River Power 1st 5s, 1951	B..	92	5.55
Nebraska Power Corp. 1st 6s, 1949	B..	101	5.90
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	103	5.50
Penn.-Ohio Power & Light 8% Notes, 1930	B..	104½	7.20
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	94	5.40
Shawinigan Water & Power 1st 5s, 1934	A..	101	5.40
Southern Sierra Power Co. 1st 6s, 1936	A..	101	5.80
Wisconsin Edison Co. 6s, 1924	A..	101	4.90

GAS AND ELECTRIC COMPANIES

	Investment Grade	Asked Price	Yield
Bronx Gas & Electric 1st 5s, 1960	B..	90	5.65
Burlington Gas & Light 1st 5s, 1955	B..	81	6.40
Buffalo General Electric 1st 5s, 1939	A..	100	5.00
Cleveland Elec. Ill. Co. 5s, 1939	A..	99½	5.05
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	71	7.20
Dallas Power & Light 6s, 1949	B..	100	6.00
Denver Gas & Electric 1st 5s, 1949	A..	94	5.40
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.80
Houston Light & Power 1st 5s, 1931	B..	95	5.75
Indianapolis Gas Co. 1st 5s, 1952	B..	89	5.75
Nevada-California Electric 1st 6s, 1946	B..	96	6.30
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103	7.20
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	96	6.00
Portland Gas & Coke 1st 5s, 1940	B..	91	5.85
Rochester Gas & Electric 7s, Series B, 1946	B..	110	6.00
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	93	5.65
Syracuse Gas Co. 1st 5s, 1946	A..	97	5.60
Tri-City Railway & Light 5s, 1930	B..	92	6.40
Twin State Gas & Electric Ref. 5s, 1953	B..	83	6.35
United Light & Railway 5s, 1932	B..	88	6.80

TRACTION COMPANIES

	Investment Grade	Asked Price	Yield
Columbus Street Railway 1st 5s, 1932	B..	89	6.65
Detroit United Railway 1st Coll. 8s, 1941	B..	108	7.20
Galveston-Houston Electric Railway 1st 5s, 1954	B..	84	6.15
Kentucky Traction & Terminal 5s, 1951	C..	73	7.20
Knoxville Railway & Light 5s, 1946	C..	82	6.50
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B.	94	6.40
Memphis Street Railway 5s, 1945	C..	78	6.90
Northern Ohio Traction & Light 6s, 1926	B..	97	7.10
Nashville Railway & Light 5s, 1953	B..	93	5.45
Schenectady Railway Co. 1st 5s, 1946	C..	72	7.00
Topeka Railway & Light Ref. 5s, 1953	B..	86½	6.00

HOLDING COMPANIES

	Investment Grade	Asked Price	Yield
American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101½	5.65
American Gas & Electric 6s, 2014	B..	95	6.30
American Power & Light 6s, Series A, 2016	B..	93½	6.40
Federal Light & Traction 1st 5s, 1942	B.	84	6.40
General Gas & Electric s. f. 7s, 1952	B.	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.50
Middle West Utilities 8s, 1940	A..	105	7.40
Standard Gas & Electric 7½s, 1941	B..	104	7.10

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Asked Price	Yield
Bell. Tel. Co. of Canada 1st 5s, 1925	A..	98½	5.85
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95½	5.55
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	93	5.30
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	97¾	5.30

UNLISTED BONDS DULL

Slight Fractional Advances

LITTLE change in the market for unlisted public utility bonds is reported by dealers, with prices continuing unchanged and demand light. On the whole, however, for the month of May prices showed a slight upward tendency, though they advanced only half a point on an average. While trading is light, it is evident that bids are firm and that any demand for the older and seasoned issues which have a wide distribution could send prices up sharply.

There has been little in the way of news or conditions which would affect bond prices either way. For a time there was some talk to the effect that further advances in the discount rate by the Federal Reserve banks could be looked for but this does not now seem to be taken seriously. New offerings of public utility issues have continued light in volume, in marked contrast to earlier months, though this was attributed to the rush to take care of financial needs for immediate expansion. With this accomplished earlier in the year, utility companies are now taking their time about putting out new issues as money rates for new issues of merit seem stabilized for the time being.

Indiana Power Co. 7½s

Continuing the policy of pointing out junior issues of merit which show a good yield and which offer attractions for investors looking for non-callable issues to run for a fair period of years, attention is called to the issue of Indiana Power Co. first lien and general mortgage 7½% series A bonds of 1941. Compared with the average company, this organization is comparatively small but seems to be coming along in good shape.

Indiana Power Co. earnings for twelve months ended April 30 show gross of $1,002,165, compared with $852,599 for the previous twelve months, while net earnings applicable to bond interest amounted to $526,787 as against $444,744, and interest charges approximated $240,000. To meet demand for additional service, a new 10,000-kilowatt unit is being added to the Edwardsport plant, which is expected to be in operation by the end of this year.

The 7½s are now quoted 100 @ 102½, but even at the asked price a yield of 7.25% is shown on the investment, a return which is obviously above the average.

There were $1,250,000 of the first and general mortgage 7½% bonds outstanding according to last balance sheet and they were secured by an equal amount of the refunding mortgage 6s. The bonds should be attractive to the small investor as they are issued in coupon form in $100 and $500 amounts and are non-callable before maturity, 1941.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Arch (8P)	130	—150
American Book Co. (6)	85	— 90
American Type Founders (6)	76	— 80
Pfd. (7)	98	—100
American Thread pfd.	3¾	—4¼
Atlas Portland Cement (4)	70	— 74
Babcock & Wilcox (7)	108	—110
Borden Co. (8)	115	—117
Pfd. (6)	103	—105
Bucyrus, pfd. (7)	100	—105
Celluloid Co. (6)	87	— 93
Childs Co. (8)	ex136	—138
Pfd. (7)	106	—109
Congoleum Co., 1st pfd. (7P)	99½	—101
Congoleum, com. (8)	231	—234
Crocker Wheeler (2)	50	— 60
Pfd. (7)	85	— 95
Curtiss Aero & M.	7¾	—8¼
Pfd.	35	— 36
Jos. Dixon Crucible (8)	138	—143
Gillette Safety Razor (12P)	†275	—285
Ingersoll Rand (8)	121	—125
New Jersey Zinc (8P)	160	—162
Niles-Bement-Pond	43	— 45
Pfd. (6)	80	— 85
Phelps-Dodge Corp'n (4)	175	—185
Poole Engineering (Maryland):		
Class A w. i.	20	— 26
Class B w. i.	9	— 14
Royal Baking Powder (8)	125	—134
Pfd. (6)	98	—100
Safety Car H. & L. (6)	84	— 86
Savannah Sugar	50	— 56
Pfd. (7)	79	— 84
Singer Mfg. Co. (7)	114	—116
Superheater Co. ($6P)	102	—105
Thompson Starrett (4)	75	— 85
Victor Talking Mach. (8)	162	—168
Ward Baking Co. (8)	123	—127
Yale & Towne (4)	60	— 63

*Dividend rates in dollars per share designated in parentheses.
†Listed on N. Y. Curb Exchange.
P—Plus Extras.

IF any more convincing demonstration were needed than that already afforded of the calibre and character of the securities dealt in in the Over-the-Counter market (and particularly those listed in the table overhead) it must surely have been supplied during the past three or four weeks. During this period, as everyone who has followed the securities-world knows, there has been more or less pronounced weakness in practically all other markets, and the issues dealt in in these other markets have suffered considerably from a price-standpoint. In the face of this reactionary tendency elsewhere, however, our higher-grade over-the-counter issues have ruled remarkably firm, although, of course, dealings have slackened.

Why Over-the-Counter Stocks Are Stable

There are solid reasons for the comparative "impregnability" of the Over-the-Counter group. For one thing, this group is not subject in such degree, to the cross-currents of trading which exert their influence elsewhere. Trading is discouraged by the practice of paying the full price of a commitment effected here, and also by the absence of short selling. But chief in the influences that tend to stabilize Over-the-Counter securities is the character of the buying done in them. It may be said, with considerable confidence, that by far the greatest proportion of the commitments made in such securties as those shown in our table represent full-fledged investment buying by individuals who, after thorough-going examination of the issues they have in mind, have convinced themselves that they would be good securities, both from an income standpoint and from the standpoint of principal enhancement, to "buy and put away."

This comparatively general tendency, in the Over-the-Counter market, of taking off the market entirely the securities that are bought in it is held, in some quarters, to have one disadvantage. It is said to cut down the floating supply, and thereby the number of transactions in individual issues, thus contributing toward a sometimes wider gap between bid and asked quotations than that generally found in more active markets. To those who make the mistake of attempting to utilize the Over-the-Counter market for trading purposes, this might become a source of disappointment. But, as said above, since the great majority of Over-the-Counter buyers are investment buyers, who are only indirectly interested in day-to-day quotations, its application is narrowed down considerably. Incidentally, it may be questioned whether the "gap" is, after all, very much wider than in the case of other markets. A glance at the quotations in the table above will show that, in most cases, a pretty tight market prevails.

Movements During the Fortnight

During the fortnight just ended, the market continued comparatively dull. Among the issues that were less dull than others were **Congoleum** common, **Borden** common and the capital stock of the **Superheater Co.**

Active inquiry for Congoleum was encouraged by the action taken by the directors on May 25 in declaring a dividend of $4 per share on the common stock, payable July 16 to stock of record July 7. To those who have followed the advices rendered here, this dividend action should have come as no surprise, since the likelihood of some such action, in view of the remarkable earnings of the company, was emphasized several weeks ago. The dividend was not announced as a "quarterly"

dividend, nor was any official statement made that the annual rate of dividends had been changed. For this reason alone, it cannot be said that Congoleum is on an annual $16 basis. On the other hand, the company's earnings are reliably stated to be running substantially in excess of last year, in which event a $16-rate could be established and maintained with little difficulty.

Borden Common

BORDEN common was in good demand around $116 per share, at which price it offers a return of not far from 7% on the investment. From the quarters which have enabled this Department to shape its comments on Borden's affairs with considerable accuracy in the past it is learned that the company's confectionery department alone is now producting revenue sufficient to meet dividend requirements, which would seem further justification for the confidence frequently expressed in the issue here as an investment medium suitable to the requirements of the long-term buyer.

Superheater Company

ACTIVITY in the shares of the Superheater Company calls for a review of an organization not covered by this Department before—a company which occupies a commanding position in the manufacture and sale of superheaters for locomotive, marine and stationary boilers.

The Superheater Company was incorporated as the Locomotive Superheater Co. in 1912, its present name being adopted in March, 1921. The name-change is said to have been impelled by the development of the company's scope from the railroad field into the marine, industrial and contracting fields.

The profitable character of the company's operations as well as the excellent financial position which has been developed in it, is evidenced by the balance sheet as of December 31st, last, which shows Current assets of 3.7 millions, Investments (at cost) of 4.9 millions, and other assets of 2.5 millions, against Current Liabilities of 1.6 millions, Book Balance from Revaluation of Patents of 2 millions, Capital Stock (one class, no par value, 125,000 shares authorized and 124,375 shares issued) carried at 2.4 millions and a P. & L. Surplus of 5 millions.

What Balance Sheet Items Represent

This Department is advised that the item of "Investments" carried among the assets, but not included in Current Assets, represent "all high-grade bonds," in which event the company's working capital could be shown to be that much larger than the report would make it appear. Among the Liabilities, the "Book Balance from Revaluation" represents a valuation adjustment understood to have been effected to conform with government specifications, but one which, in the reckoning for the current year, will appear as surplus.

During the war, certain shares in the Superheater Co. were held by the Railroad Administration. On January 10, 1921, the company purchased these shares from the Administration, and on March 1, 1921, offered this stock to shareholders at $49.60 per share, officially declared to be the "same rate at which the company purchased the stock." On May 9, 1923, announcement was made that 26,199 shares remained in the treasury, of which 19,636 shares would be offered to stockholders at $75 per share.

Referring again to the balance sheet, as condensed above, it is obvious that the Superheater Co. was in no need of such additions to working capital as this recent sale of 20,000 shares (in round numbers) would effect. The sale would bring, roundly $1,500,000 into the treasury of the company; and this, in addition to the adjustment of the "Book Balance" item explained above, would swell the company's Surplus to $8,500,000. Those in a position to judge suggest that the marketing of the issue might very logically be considered the preliminary to either an increase in the cash dividend rate on the present outstanding stock (roughly 120,000 shares) or else the disbursement of a substantial stock dividend.

Dividend Record and Prospects

Superheater's current dividend rate may be said to be $6 annually "with extras." In 1922, it paid $8 per share. The first dividend in the current year was $1.50 in January, a similar amount was paid in April, putting the issue on the $6 basis noted; then came the offering of new stock, carrying with it subscription rights that could be marketed between $4 and $5.50. What income stockholders will derive from the issue in the months immediately ahead is a matter for interesting speculation.

IN SEARCH OF A SUITABLE INVESTMENT?

If you are, perhaps the Over-the-Counter Department can help you find what you want. A glance at the table of quotations appearing at the head of the Over-the-Counter Department will give you an idea of the wide field of choice offered among many of the best-known, oldest and most successful corporations of this country. A letter to the Over-the-Counter Department, describing your wants, will bring an early and complete reply.

Municipal Bonds

HIGHER GRADE MUNICIPALS

			Interest Rate	Maturity	Approximate Yield
N	Jersey City		6	June 1926	4.50
N	Minneapolis		4¼	May 1926-28	4.50
	Canton, Ohio		6	Oct. 1947	4.50
N	Toledo, Ohio		6	Feb. 1929	4.40
N	South Dakota		5	July 1926	4.50
N	State of Massachusetts	Reg	3½	Jan. 1937	4.15
N	New York City (Brooklyn)	Reg	3½	Jan. 1930	4.25
N	New York City		4¼	April 1928	100¼
N	Cleveland, Ohio		4½	Sept. 1930-37	4.40
N	Cleveland, Ohio		4½	Sept. 1938-47	4.35
N	Oregon		4	A & O 1935	4.25
N	Oregon		4½	Oct. 1931	4.35
N	Los Angeles, Calif		4½	June 1934	4.40
N	Shelton, Conn.		4	Jan. 1928	4.40
N	San Francisco, Calif		5	1925-30	4.50
N	San Francisco, Calif		4½	July 1925	4.40
N	North Carolina		4½	Jan. 1962	4.37
N	Mississippi		4¼	May 1924	4.40
N	State of Texas		5	Feb. 1925	4.50
N	Glastonbury, Conn. (Tax Exempt)		4½	Jan. 1924-26	4.15
N	Bay City, Mich		4	May 1937	4.30
N	West Virginia		4½	April 1946	4.20
N	Baltimore, Md.	Reg	5	April 1956	4.25
N	Detroit		3½	1939	92
N	Detroit		5½	1942	4.40
N	Detroit		5	1949	4.35
N	Akron, Ohio		4¾	1933-38	4.40
N	Minneapolis, Minn.		4	April 1930	4.25
N	California (Highway)		4½	July 3, 1933	4.25
N	Passaic Co., N. J.		4½	March 1934-36	4.20
	Fairfax County, Va. (Highway)		5	Dec. 1942/32	4.70
N	San Francisco		4½	July 1943-60	4.35
N	Hudson County, N. J		4	Aug. 1946	4.15
N	South Dakota		5½	Dec. 1937	4.70
	Beaumont, Texas		5	Oct. 1930-35	4.80
N	New York State	Reg	4¼	Jan. 1945	105½
N	Oregon		4½	April 1939	4.35
N	Kansas City, Mo.		4½	July 1942	4.25
N	State of Michigan		4¼	April 15, 1943	4.10
N	State of North Dakota		6	Jan. 1942	4.50
N	Rochester, N. Y	Reg	3½	Feb. 28, 1926	3.95
N	San Francisco		4½	July 1955	4.40
N	Oregon (Highway)		4	A & O 1929	4.35
N	Nassau County, N. Y	Reg	4½	April 1926-28	4.00
	Lexington, N. C		5½	Jan. 1948	4.90
	Hoboken, N. J		6	Dec. 1926	4.70
N	Cleveland, Ohio		5½	1952-71	4.50
N	West Virginia		5	July 1944	4.30
N	California		5	July 3, 1943	4.30
N	West Hoboken, N. J		6	June 1927	4.50

N—Legal for Savings Banks in New York State.

SIGNS that business was looking up were not lacking in the Municipal Bond market during the fortnight just ended. New financing widened in scope, as expected, and although investment demand showed no noteworthy increase, at least a tendency toward improvement was observed.

The belief is held in quarters in constant touch with municipal bond developments that the tendency in this market, following a greater stabilization of investment conditions generally, should be toward lower interest rates. The municipal bond market, with all other financial markets, was distorted almost beyond recognition from its normal footing during the period of the war. To the inflation of interest rates everywhere there was added the even greater inflation of municipal obligations, which subjected interest rates and prices in this market to unheard-of alterations. Since post-war inflation spent its force in other investment fields, of course, very considerable progress toward readjustment has been made; but the weakened status of the municipal market was sustained for a longer period than elsewhere, due to the continued expansion of municipal undertakings, with the result that the real stabilization of this field has been longer in coming.

Factors in the expected improvement in municipal market conditions in the future spring principally from the gradual cessation of at least the greater degrees of extravagance which characterized so many state, city and village operations in 1920-1922, inclusive. Public sentiment against unnecessary or ill-provided-for "improvements" has undoubtedly crystallized in considerable measure the opposition to the old-time easy spending, and there are evidences now that at least a little more attention is being paid to the credit position of the communities served than to their physical equipment, with expenditures for public improvements looked upon more in their true light of increased burdens upon the people.

If the sounder attitude toward expenditures can be encouraged to a point where it will be more generally adopted, there can be little doubt as to the future of municipal bond rates. The credit of communities, so long as it represents the taxable resources of the citizens in that community, is, in the last analysis, about the finest security that can be obtained, and if the influences which have tended toward weakening that credit in the past can be held in check for a reasonable period, no reasons appear of a sort calculated to cast much doubt on the future investment status of municipal issues.

ROYAL DUTCH CO.

(*Continued from page* 243)

latter have a par value of 1,000 florins, or guilders, which is roughly $400. Their price has been so high, for many years, that it has been found convenient, for the purposes of European trading, to issue sub-shares of 100 florins or $40 par, at the rate of ten sub-shares for one full share of ordinary stock.

For American purposes in 1916 there were introduced the so-called "American," later made "New York" shares, at the rate of three "New York" shares for one sub-share.

While the latest balance-sheet, as of Dec. 31, 1921, gives little valuable information, it does indicate a tremendous underlying strength. The main item on the asset side is the list of principal subsidiaries owned, carried at some 230 millions par value, from which is deducted a reserve of 87 millions for "difference between par and book value," leaving 143 millions as book value of the subsidiary securities owned. This seems a very conservative valuation indeed, when it is remembered that the income from this "143 million dollars' worth" of securities has enabled the parent company to pay something like 45%, year in and year out, on its par value of 130 millions.

The two items of "cash in hand" and "debtors," the latter representing dividends payable by subscribers to the parent corporation, declared but not yet paid, amounted to over 53 millions. In a speech delivered about the same time as the date of this balance-sheet, however, the managing director of the company announced that cash balances on hand were more than 72 million dollars. In any case, the extreme financial strength of the company is clear, when it is added that the total current liabilities of the company, at that date, amounted to a little over 1 million dollars.

Because of the lack of accurate and abundant statistical information about the company, the irregularity of dividend payments (both according to conventional European practice), and reports of huge losses in Mexico, investors have been scared in many cases into throwing their holdings overboard, sometimes at a great loss. As to dividend payments, Royal Dutch shares is in a class with Standard Oil and bank stocks, the income being more a matter of accumulation of values and corresponding rise in market valuation rather than current yield. Expected full dividend for the current year of 26% on the common will be the equivalent of about $3.40 for the New York shares, giving a yield of less than 7%.

Intrinsic values seem very high, however, and constantly increasing, and the Mexican losses bid fair to be recouped through the development of newer fields. While it is hard to recommend, even for the longest of long pulls, an issue regarding which so little definite statistical material is available, the long-distance outlook is bright and investors are not advised to sell out their holdings at a loss.

BANK STOCK REFERENCE TABLE

NATIONAL BANKS

Name	Dividend Rate $	Par Value	Book Value Dec. 30, 1921	Book Value Dec. 29, 1922	Market $ Per Share June 1st, 1923 Bid	Market $ Per Share June 1st, 1923 Asked
American Exch.	15 Q J	$100	x$255	x$258	289	295
Battery Park	6 J & J	100	197	177	135	145
Bronx	10 J & J	100	221	214	155	165
Butch's & Drvs.	8 Q J	100	145	141	135	140
Chase	A 20 Q J	100	x205	x210	345	350
Chatham Phoenix	16 Q J	100	217	‡189	252	256
Chemical	24 Bi-mo J	100	450	461	544	550
City	B 20 Q J	100	x253	x228	350	354
Coal & Iron	12 Q J	100	187	191	215	225
Commerce	C 12 Q J	100	235	250	292	295
East River	12 J & J	100	175	180	210	...
Fifth	9 Q J	100	171	‡194	240	250
First	D 40 Q J	100	x513	x616	1190	1200
First Nat., B'klyn	E 12 Q J	100	279	296	320	355
Garfield	F 12 Q M	100	253	265	255	265
Gotham	12 Q J	100	208	202	188	195
Hanover	24 Q J	100	810	‡517	678	688
Harriman	G 10 J & J	100	278	260	335	345
Importers & Tr.	H 24 Q J	100	667	676	752	...
Mechanics & Met.	J 20 Q J	100	265	272	395	400
Nassau Nat.	K 12 Q J	100	252	261	225	...
Nat. American	....	100	152	152	140	150
Park	24 Q J	100	329	339	422	427
People's Nat.	8 J & J	100	266	267	165	...
Public	16 Q J	100	221	‡242	297	304
Seaboard	L 12 Q J	100	268	‡277	345	355

(A) Includes $4 paid by Chase Securities Corporation. (B) Includes 2% and 2% extra, paid by National City Co. quarterly. (C) 4% extra Jan., 1923. (D) 10% extra paid by First Securities Corp., January, 1923. (E) 2% extra January, 1923. (F) 3% extra January, 1923. (G) 5% extra July, 1922, and 5% extra January, 1923. (H) 6% extra January, 1923. (J) 2% extra July, 1922, and 2% extra January, 1923. (K) 3% extra January, 1923. (L) 2% extra January, 1923. (‡) Capital increased during year.

TRUST COMPANIES

Name	Dividend Rate $	Par Value	Book Value Nov. 15, 1921	Book Value Nov. 15, 1922	Market $ Per Share June 1st, 1923 Bid	Market $ Per Share June 1st, 1923 Asked
American	6 Q J	$100	$142	‡$155	S	...
Bankers	20 Q J	100	202	225	363	367
Bank of N. Y. & Tr. Co.	20 Q J	100	...	396	460	470
Brooklyn	24 Q J	100	285	313	465	485
Central Union	24 Q J	100	249	256	454	459
Commercial	6 Q J	100	152	134	110	125
Empire	C 12 Q J	100	206	210	310	320
Equitable	12 Q J	100	237	*231	188	191
Farmers L. & T.	24 Q F	100	353	401	520	527
Fidelity—Int'l	10 Q J	100	213	*224	200	210
Fulton	D 10 J & J	100	240	250	250	260
Guaranty	12 Q J	100	166	171	268	273
Hudson	10 Q J	100	250	*261	207	215
Irving Bk. Col. Tr. Co.	....	100	...	...	228	232
Kings County	40 Q F	100	695	776	800	...
Lawyers T. & T.	E 8 Q J	100	251	*271	190	200
Manufacturers	G 12 Q J	100	200	*210	260	...
Metropolitan	16 Q M 31	100	271	290	295	305
Midwood	....	...	157	160	155	165
New York	20 Q J	100	270	277	343	347
People's	20 Q J	100	244	‡277	390	...
Title Gr. & Tr.	K 12 Q J	100	226	‡301*	364	369
U. S. Mtg. & Tr.	M 16 Q J	100	244	247	307	315
United States	50 Q J	100	889	923	1210	1230

(C) 1% extra July, 1922; 4% December 30, 1922. (D) 2% extra January, 1923. (E) 2% extra July, 1922; 2% January, 1923. (G) 2% extra October, 1922. (K) 4% extra June 30, 1922; 3% January, 1923. (M) 4% extra January, 1923. (S) See N. Y. Title & Mortgage Co. (‡) Capital increased during year. (*) Book value figured on old capital.

What Associate Members Say

about

The Richard D. Wyckoff Analytical Staff Service

"In this last campaign your service has worked in my favor very well, and I am much pleased with the results."

* * * * *

"Your suggestions have changed my ideas regarding the service which you would be able to render me, and consider it a big mistake that I have not been connected with you from my start on the market."

* * * * * *

"I am sending with this letter a record of my transactions since the first of August which was about the time I began receiving your advices. As you can see, I have followed your suggestions almost to the letter, and have been studying most carefully all of the reports which I have received from you, both of which I have found most profitable."

"It is very difficult for me to say which I am more thankful to you for: the profits in dollars, or what you have taught me about investing and speculation—(and the realization that there is always more to learn). May your good work continue."

* * * * * *

"Your two telegrams received; I acted on both and sold stocks which show me a profit today equal to four times the cost of your yearly Associate Members' dues. I am more than pleased."

* * * * * *

"Your Standard Plan is just the ideal method for one at this distance. I fully appreciate your service."

* * * * * *

"I have been an Associate Member for three months and should like to have you know that I think your service is most remarkable. Even on my small investments your service charge amounts to only 15% of my actual profits."

* * * * * *

"The results during the first quarter have been a revelation. On an investment of $14,500 I have a cash balance with my broker of $17,000 and sufficient book profit to raise the total to $23,500; a total profit of $9,000, over 60%, in 2½ months."

* * * * * *

"You appear to have a throttle-hold on the security market. Profit-making is practically continuous. My only regret is that I do not have more money to invest, but possibly following the various advices given will furnish it to me in due time."

* * * * * *

"I am more than pleased with results and will continue a member for the entire year."

* * * * * *

"I often wonder now how I ever had the nerve to ride in without knowing any more than I did previously."

* * * * * *

" . . . it was my misfortune that I did not participate in it long before I did, for it has not only saved me a good many dollars in steering me clear from undesirable securities, but has put me in touch with many that have been very remunerative to me."

* * * * * *

"I am very well satisfied with the results obtained from following your instructions."

* * * * * *

"I feel that your monthly survey of the securities of your clients is most valuable and is worth your fee for membership."

"Your services rendered by your organization have proved of great benefit and we will gladly recommend this method of investment procedure to our friends."

* * * * * *

"Your advices have been very satisfactory indeed. I have spoken of your work very favorably to several friends of mine."

* * * * * *

"Thanks to your very excellent advice I am now in position where I can carry full lots of your Standard Plan recommendations as well as certain ones of your Supplementary Plan."

* * * * * *

"I am very glad to say that it will give me pleasure to recommend your Staff, as only a short association with it has demonstrated to me that your recommendations are intelligent, able and conscientious."

* * * * * *

"You will be interested to know that I have just about doubled my original capital in the less than a year that I have been in 'the market.' Started last summer with about fifteen thousand dollars and now have just about thirty thousand, so it has worked out very well."

* * * * * *

"I wish to assure you of my appreciation of the service you are rendering to investors through your Staff. In the long run your assistance to investors, as well as speculators, will be of inestimable value."

* * * * * *

"The Standard Plan is excellent—very conservative and comprehensive."

* * * * * *

"Your service is pleasing me greatly. It strikes me as being a service of perfection, and I would be most glad to recommend it to any prospective member at any time you so desire."

* * * * * *

"My experience with the Staff has been gratifying to me. I am impressed with the ability, impartiality and apparent thoroughness with which your work is conducted."

* * * * * *

"One question upon which information was furnished me in great detail, was worth the entire quarterly fee."

Such testimonials of value received should help to convince even the most skeptical that our service is thoroughly worth a trial.

* * * * * *

The wisest course if you desire to secure maximum return on invested capital is to confer with us and lay your problems before a staff of trained financial experts, who analyze and accurately gauge the factors that make investing safe and profitable.

THE RICHARD D. WYCKOFF ANALYTICAL STAFF

42 Broadway, New York.

What can your staff do for me?

I am interested in ☐ Investments for a long pull or ☐ trading or ☐ both.

(Mark the ones you are interested in.)

My present security holdings and available capital total approximately

$....................

This is to be held in strictest confidence by you. I understand there is no charge or obligation in sending for this information.

Name ....

Address ....

Phone ....

City and State..

June 9.

WATCH THESE STOCKS

(*Continued from page 229*)

sentatives of the group to which it belongs, and its dividend seems secure.

UNITED FRUIT

United Fruit has extensive holdings in South and Central America and the West Indies, where it grows tropical fruits which are conveyed to the Northern markets in its own ships. The company's business has shown a remarkable growth, net income in 1922 being three and a half times that of 1913. Despite large sums spent on the improvement of its properties and facilities, the company has built up an unusually strong financial condition. As of December 31, 1922, United States and British Government securities on hand totalled 9 millions and cash was 19.8 millions. The company is entirely free of any funded debt.

The stock is only on an 8% dividend basis, but in November, 1922, an extra dividend of $2.00 was paid, and in view of the excellent earnings and strong financial condition, further extras are to be anticipated. In January, 1921, a 100% stock dividend was paid, increasing the outstanding stock to 100 millions.

The profit and loss surplus as of December 31, 1922, totalled nearly 45 millions, so that the company is in a position to pay still further stock dividends, if directors so decide.

United Fruit is a large producer of sugar, and the increase in the price of this commodity has been of material benefit. It is estimated that in the current year United Fruit may earn sufficient from its sugar business alone to cover the 8% dividend on the stock. **The company's earnings are not seriously affected by unfavorable business conditions in the United States.**

WESTINGHOUSE ELECTRIC

Earnings of Westinghouse Electric in the past ten years have averaged $8.00 a share per annum on its combined common and preferred stock. In April, 1923, the company offered $14,962,530 additional common stock to preferred and common stockholders at $53 a share. This additional financing was put through for the reason that the company was doing a capacity business. The statement to stockholders explaining the decision of directors to issue additional common stock is very enlightening as regards the immediate outlook of the company: "Your company has a large amount of unfilled orders on hand and is taking additional orders in large volumes. In addition, the directors believe there will be a still further enlargement in demand for your company's products, due to public attention now being directed toward hydro-electric developments, steam railroad electrification, industrial electric manufacturing processes, further development of activities in the radio field and the widening use of electricity for other purposes, all of which would stimulate still greater activity in your various manufacturing lines." This additional money brings net quick assets of the company up to 105 million dollars. Net tangible assets are equal to approximately $80 a share. **Westinghouse has an excellent record behind it to support the view that the common stock merits a high position among speculative investment stocks.**

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$4	Amer Radiator com.	$1.00	Q	6-15	6-30
—	Amal Sugar pfd...	$8.00	Accum	6- 1	6-15
$8	Amal Sugar pfd...	$2.00	Q	6- 1	6-15
$6	Amer B Sugar pfd..	$1.50	Q	6- 9	7- 2
$7	Amer Sugar Ref pfd	$1.75	Q	6- 1	7- 2
$9	Amer Tel & Tel....	$2.25	Q	6-20	7-16
$3	Anaconda Cop......	75c	Q	6-16	7-23
7%	Atl Coast L com....	3½%	SA	6-18	7-10
7%	Baldwin Loco com.	3½%	SA	6- 2	7- 2
7%	Baldwin Loco pfd..	3½%	SA	6- 2	7- 2
$6	Borden Co. pfd....	$1.50	Q	6- 1	6-15
$5	Boston & Albany..	$2.50	SA	5-31	6-30
$8	Bklyn Union Gas..	$2.00	Q	6-14	7- 2
$4	Brown Shoe com...	$1.00	Q	5-25	6- 1
7%	Bucyrus Co pfd....	1¾%	Q	6-20	7- 2
—	Bucyrus Co pfd....	½%	—	6-20	7- 2
$7	Bush T Bldgs pfd..	$1.75	Q	6-18	7- 2
$4	Calumet & Ariz....	$1.00	Q	6- 8	6-25
10%	Canadian Pac com..	2½%	Q	6- 1	6-30
$6	Cent Ill P S pfd...	$1.50	Q	6-30	7-14
$4	Ches & O com.....	$2.00	SA	6- 8	7- 1
$6.50	Ches & O pfd A...	$3.25	SA	6- 8	7- 1
$8	Childs Co. com....	$2.00	Q	5-28	6-11
$7	Childs Co. pfd.....	$1.75	Q	5-28	6-11
—	City Investing com	2½%	—	6-27	7- 2
7%	City Investing pfd.	1¾%	Q	6-27	7- 2
$6	Compt Tab Record	$1.50	Q	6-22	7-10
—	Congoleum Co com	$4.00	—	7- 7	7-16
$2	Connor John T com	50c..	Q	6-19	7- 2
$7	Connor John T pfd	$3.50	SA	6-19	7- 2
7%	Crane Co pfd......	1¾%	Q	6- 1	6-15
4%	Crane Co com....	1%	Q	6- 1	6-15
7%	Dom I & Stl pfd..	1¾%	Q	6-15	7- 2
6%	duPont Powd com..	1½%	Q	7-20	8- 1
5%	duPont Powd pfd..	1¼%	Q	7-20	8- 1
6%	duPont E I de N d	1½%	Q	7-10	7-25
6%	duPont E I de N pf	1½%	Q	6- 5	6-15
$8	F Players-Lasky...	$2.00	Q	6-15	7- 2
—	Fleischmann com..	50c	Ext	6-15	7- 1
$7	Foundation Co pfd.	$1.75	Q	6- 1	6-15
$6	Foundation Co com.	$1.50	Q	6- 1	6-15
$7	Goodrich B F pfd..	$1.75	Q	6-21	7- 2
$6	Gold & Stock Tel..	$1.50	Q	6-30	7- 2
$8	Guantanamo Sug pfd	$2.00	Q	6-15	7- 2
4%	Hocking Valley....	2%	SA	6- 8	6-30
—	Hudson Motor.....	25c	Ext	6-22	7- 2
$2	Hudson Motor.....	50c	Q	6-22	7- 2
$4	Ill Cent Lines......	$2.00	SA	6-11	7- 2
$7	Inland Steel pfd....	$1.75	Q	6-15	7- 1
$3	Int. Cement com...	75c	Q	6-15	6-30
7%	Int. Cement pfd....	1¾%	Q	6-15	6-30
$6	Int. Salt...........	$1.50	Q	6-15	7- 2
7%	K C P & L 1st pfd	1¾%	Q	6-16	7- 2
$7	Laclede Gas com...	$1.75	Q	6- 1	6-15
$5	Laclede Gas pfd....	$2.50	SA	6- 1	6-15
$8	Lehigh V Coal Sales	$2.00	Q	6-14	7- 2
5%	Louisville & Nash..	2½%	SA	7-17	8-10
4%	Mackey Cos pfd....	1%	Q	6- 6	7- 2
7%	Mackey Cos com...	1¾%	Q	6- 6	7- 2
10%	May Dept S com..	2½%	Q	8-15	9- 1
$4	Mobile & Birm pfd.	$2.00	SA	6- 1	7- 2
$7	Montgomery Wd pfd	$1.75	Q	6-20	7- 1
$4	Montana Power com	$1.00	Q	6-13	7- 2
$7	Montana Power pfd	$1.75	Q	6-13	7- 2
$3.50	Morris & Essex....	$1.75	SA	6- 7	7- 2
50c	Mutual Oil.........	12½c	Q	6- 1	6-15
$4	N Y Air Brake Cl A	$1.00	Q	6- 8	7- 2
—	North Amer Co com	5%	—	6- 5	7 2
6%	North American pfd	1½%	Q	6- 5	7- 2
$4	Pacific Oil........	$1.00	SA	6-15	7-20
7%	Pen Water & Power	1¾%	Q	6-15	7- 2
40c	Pennok Oil........	10c	Q	6-15	6-25
—	Pennok Oil........	10c	Ext	6-15	6-25
12%	Quaker Oats com..	3%	Q	7- 2	7-16
6%	Quaker Oats pfd..	1½%	Q	8- 1	8- 3
7%	Rep Iron & S pfd.	1¾%	Q	6-15	7- 2
—	Rep Iron & S pfd..	2%	Accum	6-15	7- 2
5%	St. Louis Southwest	1¼%	Q	6-16	7- 2
$7	Stromberg Carb....	$1.75	Q	6- 8	7- 2
$10	Studebaker Co com	$2.50	Q	5-10	6- 1
$7	Studebaker pfd.....	$1.75	Q	5-10	6- 1
6%	Tenn El P 6% pfd.	1½%	Q	6- 9	7- 2
7%	Tenn El P 7% pfd	1¾%	Q	6- 9	7- 2
$10	Underwood T com.	$2.50	Q	6- 2	7- 2
$7	Underwood T pfd..	$1.75	Q	6- 2	7- 2
10%	Union Pacific com.	2½%	Q	6- 1	7- 2
6%	United Paper Bd pf	6%	Ann	6- 7	7- 2
—	United Sh M (stk)	40%	—	5-26	6-18
$8	U S Realty & I com	$2.00	Q	6- 5	6-15
7%	U S Realty & I pfd	1¾%	Q	7-20	8- 1
5%	Va Iron C & C pfd	2½%	SA	6-16	7- 2
—	Va Iron C & C com	2%	—	6-16	7- 2
6%	Worth P & M pfd A	1½%	Q	6-20	7- 2
7%	Worth P & M pfd B	1¾%	Q	6-20	7- 2

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REACTIONS AGAINST RECENT LEGISLATION

(*Continued from page* 245)

regarding the prospect of infringement upon their field of activity by agricultural credit banks, the latter capitalized by the Government. Secretary Mellon's doubt with respect to the safety of the new legislation clearly remains unrelieved and is reflected in the effort he has made to enforce a cautious policy upon the organizers of the new system to the end that they may be prevented from committing the Treasury to dangerous policies that would otherwise cause possible disaster and disorganization of the financial markets. The situation is becoming better understood by certain of the extreme farm agitators who have been for some time past dissatisfied with the prospects under the Agricultural Credits Bill. It would now seem likely that, when Congress reassembles, members of the farm bloc will be prepared definitely to announce that they are discontented with the degree of advancement attained under the new legislation.

This, it is expected, will lead to still more drastic demands, possibly enlarging the powers of the new farm credits system and possibly leading to additional legislation along the line of the Norris Bill, which provided, as will be recalled, for out-and-out Government purchase of farm products and their storage in warehouses.

Unexpected Developments

The completion of the Federal Reserve Board's new membership has called attention to a change in the language of the Act, slipped into the recent legislation without much attention on the part of any one. All previous forms of the Federal Reserve Act had required that at least two members of the Federal Reserve Board should be skilled in banking and finance. This requirement is now eliminated so that none of the Board need possess such qualifications and in fact none of the new appointees do enjoy them, although two have been titular officers of banks in times past.

The situation is viewed with some regret on the part of not a few legislators as well as, of course, by administrators who recognize the hazard involved in the situation. However, the new membership has now taken office and the present form of the organization will necessarily have to be given a trial. Meantime the effort to inject politics into the system has continued. A Cabinet member has written to one or more Federal Reserve banks calling attention to the alleged fact that such banks do not give equality of treatment to Republicans and Democrats in their personnel. He has been advised in reply that applicants for appointment have never been asked their political faith, this being the first time that the question has been raised. Federal politicians, however, are undoubtedly endeavoring to obtain for themselves as many "places" in reserve institutions as they can control and this effort is expected to be dominant from the present time forward.

Restiveness About Gold

An increasing degree of restiveness with regard to the policy of paying out gold is being felt by the banks, and a good many bankers are already retaining in their vaults such gold as passes through their hands unless it is asked for by customers, when, of course, they readily disburse it. The idea, however, of trying to drive it out into circulation with the express purpose of weakening reserve is regarded as a rather ridiculous proposition which originated with the subordinates of the Treasury Department and is considered unfortunate in its working. This is particularly true at the present time, owing to the apparent disposition of gold to move out of the country as a result of the turning of the export balance against the United States.

It is expected that the discontent with regard to this immature policy of the Treasury Department will become so marked from now on as to lead to its revocation so far as relates to reserve banks, particularly in view of the circumstance that the member banks, as already noted, are loath to strip themselves of their gold except, of course, in response to request from their depositors.

THE BANKING SITUATION

(*Continued from page* 247)

be a disposition to take them up on the part of investors. Such an inclination was hardly to be anticipated so long as they continued in the very short-term shape that they have occupied hitherto.

Altogether, therefore, the change in Treasury policy may be expected to result in driving out of the banks a considerable proportion of the government securities of various kinds which have had a tendency to become congested there. The effect should be an increasing demand on the part of banks for the sounder kinds of corporate securities, and the use of these securities, to some extent at least, as secondary reserves in bank vaults. This is likely to be the case with fiduciary institutions, and creates a situation which should help maintain the value of bonds in the near future.

Production and Agricultural Credit

As production recedes moderately, in line with present tendencies, it may be expected that there will be a lessening in the demand for current banking accommoda-

tion. How far this will really go it would be difficult to say at the present time. Thus far the change in the total volume of output has not been very great, except in a comparatively small group of industries which have reduced the activities of their works. In them, at least, the reduction of borrowing will make itself felt, and should it spread further, will bring about corresponding reduction in the volume of borrowing elsewhere. This will be, in a measure, offset by the increasing seasonal demands of borrowers in the agricultural sections.

Seasonal Demands

In some parts of the country such seasonal demands are now moving up toward a peak so far as relates to the period of production which is now approaching its height. After the midsummer recession in agricultural activity in the wheat regions, another peak is usually reached during the autumn when storage and marketing of cotton and other products are occurring, but for the weeks between May 1 and about August 1 the peak of credit applications is to be expected shortly after the opening of June. This growth tends to offset the decline in manufacturing demand, and just as the latter has made itself felt in the eastern sections, the increase has made itself equally obvious in the agricultural regions already referred to. In consequence, the portfolios both of banks and of reserve banks at interior points have been moderately expanding, credit demand being transferred to them from the city.

ANSWERS TO INQUIRIES

(*Continued from page* 258)

principal. A more attractive stock at this time, in our opinion, is Moon Motors paying $2 and selling around 26. Earnings of this company are running at the rate of $8 per share per annum and an increase in the dividend rate is probable.

F. W. WOOLWORTH

Is It High Enough?

Have a substantial profit on some F. W. Woolworth stock. Would you sell out now or hold for higher prices?—M. C. W., Brockton, Mass.

F. W. Woolworth & Co. for the year ended Dec. 1, 1922, earned 22.46% on the common stock as compared with 19.34% in 1921. This company is in very strong financial condition and has a splendid record. Earnings have shown a steadily increasing tendency for many years. It is well to recollect, however, that Woolworth common has advanced from a low price of 105 in 1921 and the present level of 230 appears to us to have rather fully discounted, for the time being at least, the improvement in earnings. Moreover, it is our belief that the main trend of the stock market is now downward and that generally it is inadvisable to hold common stocks. Our advise is to take your profit in Woolworth.

TRADE TENDENCIES

(*Continued from page* 251)

tion, etc., mounts up the longer they are carried, and makes it harder for producing and refining interests to get out at a profit. The situation cannot be regarded as fundamentally healthy until a larger part of these stocks, even after allowance for the increased rate of consumption, is liquidated.

COTTON

Bullish Outlook for New Crop

The shifting of the center of gravity of the cotton market from the old crop months to the new has been marked by an improvement in the position of the latter, as a result of the unfavorable weather conditions in many vital crop districts. This has tended to counteract the bearish impression produced some time ago by the Government report showing increased acreage planted to cotton. The boll weevil scare, which has been dormant in the public press for some time, is beginning to impress the trade again, and so also the undoubtedly light carry-over from the old crop, which is admitted by all sides.

There seems to be considerable difference of opinion among Government bodies which include cotton forecasting among the scope of their official duties, but the general effect upon the trade is one of uncertainty which has gone far to remove the assuredness of the bearish element, predicted upon a large coming crop, synchronizing with a declining trade demand.

The extent of the latter, moreover, appears to have been exaggerated at first, judging by recent figures of spinners' takings. Retail trade reports indicate no unhealthy trade stagnation, although a firm resistance is being built up against the potential "skyrocketing" of prices. Buying remains at a high level, although prices are by now of major importance in determining sales.

COAL

Foreign Buying Helpful

The continuing strength of the export trade has been one of the most important elements in the recovery of the coal industry from the depression which started early in the Spring when the emergency consumers' buying of coal ceased. To a large extent this may be attributed, directly or indirectly, to the Ruhr occupation, as many countries have been buying in this market which normally obtained their supplies from producers who are too busy now filling up the gaps caused by the break-down of the Ruhr coal deliveries.

Shipments to tidewater have been satisfactory, transportation conditions revealing a high degree of efficiency, and production has consequently been kept up at a high rate. Much of the bunker trade will undoubtedly be lost after June 10, however, when the new regulations made necessary by the Supreme Court's ruling against liquor on ships go into effect.

Tonnage actually on hand at tidewater are remarkably low, a situation which is taken by the trade as not only a result of the more active buying of the last few weeks but an indication that a possible upturn in prices, which is considered quite likely, will meet with little resistance through the necessity of disposing of large stocks.

Prices were shaded somewhat toward the end of the month, but this was regarded as a purely temporary development, conditioned by the necessity of settling railroad demurrage accounts as much as by anything else. Buying of bituminous by Northern interests remains at a high level, and with the improved tone of the export market is largely responsible for the better feeling throughout the trade.

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VIEW AT A PENNSYLVANIA COAL MINE

Running out the roughly broken coal from the mines to the thresher and screening machine

INSURANCE DEPARTMENT

(*Continued from page 233*)

SOLVING INDIVIDUAL INSURANCE PROBLEMS

By Florence Provost Clarendon

For Insurance Information

Do you have any articles showing the principal reasons why one should carry life insurance brought together in one place? I have seen about all of the reasons but have failed up to date to get them together in one place—all the reasons from the one main reason, PROTECTION, through protecting a business, building a proper financial structure, conserving an estate by providing a part free from inheritance taxes, etc. I am especially anxious to get the opinion of financial experts on life insurance in general, its different applications, the justification of its expense, and reasons why all classes of people should carry it. If you have published any one article that gives this information, or, any series of articles, or better yet, if your experts on life insurance will make a personal report for me, I wish to get this information.

I am also interested to know how it should fit into a budget for families of: (1) Two adults; (2) two adults, one child; (3) two adults, two children; (4) two adults, three children, for incomes from $1,500 to $7,000.

From the nature of your inquiries and the type of information asked for, I assume that you are an agency man. Complete information on many of the points you raise could doubtless be supplied in detail from the Home Office of the company you represent. We regret that our correspondence is so heavy that, while we try to take up *individual* insurance problems, we are unable to enter into the details of illustrative groups—such as a family of two adults, and one child; two adults, two children; two adults, three children, etc., which you cite.

During the past two years many articles have appeared in THE MAGAZINE OF WALL STREET illustrating the best type of protection for particular classes of clients, i.e., insurance for young unmarried men, married men, middle-aged bachelors, business women, etc., and if you have access to back numbers you would no doubt obtain some of the information you ask for in such articles.

Many books have been published dealing with the broad subject of Life Insurance. You may be interested in Huebner's "Life Insurance," Moir's "Agency Arguments," and, for illustrative rates, "The Handy Guide" and "The Unique Manual."

Should Farmers Carry Insurance?

I am District Agent in this territory for the Provident Life & Trust Co. of Philadelphia. Most of the farmers out here have invested part or all of their savings in various stocks. If what they have bought fails to "make good," great hardship may result to them and their families. On the other hand, many of them are doubtful as to the advisability of carrying life insurance. Do you feel free to definitely recommend life insurance to this class?—C. M., Hanover, Pa.

The desirability and benefit in farmers as a class carrying an ample line of life-insurance coverage is beyond question. Indeed this investment is of vital importance to the farmer, because at certain periods of the year his capital is tied up in the future of his crops, and in the event of his unexpected death, the family might otherwise be without funds to meet immediate expenses. Stocks and other se-

curities—even high-grade bonds—cannot always be marketed at short notice without loss to the owner. In case of a depressed market, the forced sale of securities might easily mean a material decrease in the farmer's estate. Sickness and death bring heavy expenses and there is pressing need of ready cash to enable the family to tide over this period. Life insurance, however, is one of the most "fluid" assets. The proceeds of a life-insurance policy are available to the beneficiary within a day or so of the receipt and approval of the claim—the insurance companies pride themselves on occasionally making even quicker settlement.

But life insurance is necessary to the farmer for his *business* as well as his family protection. Let us assume, for instance, that the farmer is carrying a mortgage for $10,000 on his farm which he anticipates paying off by a series of payments at fixed intervals, along the general lines laid down by the Federal Farm Loans. Presumably, these payments will in great measure be paid out of profits from crops. Thus the farmer must live long enough to earn these profits for periodic payments if he is to carry out his plan and meet his obligations. Suppose, however, that he dies when but a few payments have been made, leaving a wife and young children, with no responsible head to run the farm. It is frequently one of life's little ironies that an instalment on the mortgage will fall due at just such a time *and there must be cash on hand to meet the payment.* The proceeds of a life-insurance policy immediately become available on the death of the insured, and it is the only stop-gap in such a contingency.

The Insurance Department will be glad to aid you in solving YOUR Insurance Problems.

The annual interest payment on a mortgage in the sum of $10,000 is about $600—sometimes, and in certain states, this interest payment runs up as high as $800. By investing about $200 a year additional in a life-insurance policy, a man thirty years of age can fully protect his mortgage of $10,000 in case of his death. Moreover, even this low premium cost is reducible by annual dividends. If death should occur when the mortgage has been partly cleared, the proceeds of the insurance will wipe out the remaining indebtedness, and leave the balance of the insurance investment to tide the family over this trying time of readjustment.

If the farmer includes the Disability Benefit in his life-insurance policy, he immediately insures not only his farm mortgage and his family, but he *insures his insurance.* In event that the insured becomes permanently and totally disabled at any time after the first premium has been paid on his policy, and he is thereby incapacitated from earning a gainful living, the Disability Benefit guarantees to him (under a $10,000 policy) an income of $100 a month during such disablement, and furthermore all future premiums are

waived. Nevertheless, the full face amount of his policy will still be payable to his beneficiary in the event of his death, and he retains all his cash, loan, surrender, and dividend privileges under the insurance.

HOW A BOND IS FLOATED

(*Continued from page* 215)

be held that the only reason why underwriting houses—the Blairs, Dillon Reads, Speyers, Kuhn-Loeb's, J. P. Morgan's, Lee Higginsons, Harris Forbeses, Stone & Webster's, and National City's, of this country—investigate the issues that are offered them, and insist that stringent requirements be met before they consent to act in the matter, because it would be "bad business" for them to float securities hap-hazardly and without regard to their post-flotation welfare. It really doesn't matter whether they take this view of it, or whether they take the less sordid view (and the one which this writer entertains) that investment bankers of the character and calibre mentioned insist upon these rigid investigations out of a sincere and honest regard for the welfare of the men and women who buy the securities that they market.

The only point to be made here is that, among the underwriting institutions which have stood the test of time and whose names, today, stand for better things in the corporation world and the world of finance, such rigid investigations into bonds they are asked to "float" are always conducted; it may be said, further, that for every bond issue such houses actually consent to underwrite, there will be times when many, many other issues will be turned down—issues that could, no doubt, be marketed, considering the influence and prestige enjoyed by such houses as those referred to, but which are **not** marketed, solely because they do not come up to the scratch.

These investigations take their logical form: They go into the issuing corporation's property titles, into the conditions of its plant and equipment, into its financial resources and record; they take into consideration the records of its executives, the nature of the product, the position of the market for that product; that extend into the financial situation, the element of "timeliness" as concerns the proposed financing.

Considering the scope of these investigations, and the trained intelligence of the men who conduct them, their significance from the viewpoint of the investor will be immediately apparent, and they will be recognized as a basically essential feature in a qualified underwriting firm's operations.

The National and Local Retailers

After the underwriting has been accomplished, and the necessary syndicating arrangements made, the ultimate disposition of a bond issue, of course, rests with the retail dealers. As said above, these retails fall in two classes: Retailers with national facilities, and lesser retailers with only local facilities. (*Please turn to next page*)

Distribution of securities on a nationwide scale by individual organizations is a field that has come forward rapidly in recent times. There are today not a few institutions capable of marketing whole bond issues "on their own" without the aid of other retailers, and this feat is often performed. An interesting example of this type of institution is one which tops the real estate mortgage bond field—an organization whose sales force is, even under cursory study, revealed as one of the most remarkable mechanisms of its kind in the world, one which has too frequently marketed, entirely through its own organization, millions of dollars of a given issue in few hours to make the feat any longer a novelty.

Where it is desirable, local bond houses compose the last link in the bond-floating chain—comparatively small concerns, that is, which enjoy, nevertheless, a well developed local clientele.

Thus we have traced the flotation of a bond issue from the time it "qualifies" under the rigid inspection imposed by underwriting houses to the time it is syndicated to national distributors or local retailers, to be finally lodged in the hands of investors throughout the length and breadth of the land.

In the actual prosecution of the work suggested here, it is obvious that there are innumerable essential steps which must be covered and provided for. In the organization and operation of investment banking houses, of course, all these minor cogs in the great machine are present.

JUST WHAT IS THIS PORT AUTHORITY PROJECT?

(*Continued from page 239*)

wise as to avoid centers of congestion, conflicting currents and long truck-hauls.

Fourth, to establish terminal stations, all of which, so far as practicable, shall be union stations.

Fifthly, to adapt existing facilities as integral parts of a new system, so far as possible, in order to avoid needless destruction of existing capital investment and reduce so far as may be possible the requirements for new capital, endeavor being made to obtain the consent of local municipalities within the port district for the coordination of their present and contemplated port and terminal facilities with the whole plan.

Sixth, to bring freight from all railroads to all parts of the port wherever practicable without "breaking bulk"—this necessitating tunnel connections between New Jersey and Long Island and tunnel or bridge connections between other parts of the port.

Seventh, to urge upon the federal authorities improvement or channels so as to give access for that type of waterborne commerce adapted to the various forms of development which the respective shorefronts and adjacent lands of the port would best lend themselves to.

Eighth, to lay out highways for motortruck traffic which will permit the "most efficient inter-relation between terminals, piers and industrial establishments not

equipped with railroad sidings, and for the distribution of building materials and many other commodities which must be handled by trucks, these highways to connect with existing or projected bridges, tunnels and ferries.

Ninth, to devise definite methods for prompt relief which can be applied for the better coordination and operation of existing facilities while larger and more comprehensive plans for future development are being carried out.

"After these nine principles come the belt lines and the tunnels and bridges," says Mr. Julius H. Cohen, of counsel to the Port of New York Authority, "which are outlined in the physical plan."

Obstacles in the Way of Action

Some effort should be made at this point to describe the difficulties under which the Port Authority had to work in devising an acceptable plan—difficulties springing not only from the magnitude of the task involved, but also from the number of persons and organizations directly affected whose interests must be secured. In this connection, note that the Port District contains one hundred and five organized municipalities, embracing a population of some eight millions of people; that it is served by twelve trunk-line railroads, which bring to and take out of, or through, the port over 75,000,000 tons of freight each year. Also, an immense number of foreign and domestic steamships, not less than 8,000 in number, according to an estimate of the Port Authority, annually bring to or take from the port over 45,000,000 tons of freight.

The Actual Machinery Proposed

The actual machinery by which the Port Authority hopes to solve the traffic problem in the district covered consists of an extensive railway system, including necessary tunnels, and an automatic electric service, whose yards will connect with what would be known as the "Middle Belt Line" and also with all the railroads of the Port District. This latter system would consist of a standard gauge underground railroad deep enough in Manhattan to permit of two levels of rapid transit subways to pass over it. "The only standard railroad cars that will be brought through to its Manhattan terminals," says the Port Authority in its report, "will be those with perishables and food products in refrigerator cars. Cars with merchandise freight will be stopped at its yards. Freight from standard cars will be transferred onto wheeled containers, thence to special electrically propelled cars which will bear it to Manhattan. This freight will be kept 'on wheels' between the door of the standard freight car at the transfer point and the tail board of the truck at the Manhattan terminal or the store door as may be elected by the shipper or consignee, thus eliminating all extra handling. Freight cars will thus be released more quickly from the terminals, thus affecting a material saving in the use of railroad equipment."

For the purpose of affording immediate

relief in the harbor and port situation, the Port Authority proposes to establish a motor-truck service between the railroads of the Port District and the Island of Manhattan. The Authority suggests the use of the "container" principle, "performed either by motor trucks with detachable bodies serving as containers, or by motor trucks whose bodies carry containers."

Has the Port Authority the Authority?

From even the brief and inadequate suggestion of the Port Authority plan as offered above, some idea of the magnitude of the proposal must be conveyed. To make this point even more clear, note may be made of an estimate of the final cost offered by Robert J. Cary, who recently acted as spokesman for the railroads in deliberations anent the plan. "The automatic electric service proposed for Manhattan," said Mr. Cary, "will alone cost between three hundred and four hundred millions. The tunnels of the middle belt line will cost many millions more." Considering this gigantic expense, it is pertinent to inquire into the Port Authority's authority to put its plans into execution. On that question, apparently, rest such doubts as may exist as to the possibilities of actually effectuating the whole Port of New York improvement.

"The powers of the Port Authority," says Mr. Cohen, "are not alone those contained in the treaty which itself authorizes the acquisition of title to property, the construction of all kinds of terminal facilities and the borrowing of money, but are to be found also in the express grants of power in the legislation passed last year (1921). The Port of New York Authority is authorized and directed to proceed with the development of the Port of New York in accordance with the comprehensive plan as rapidly as may be economically practicable, and is vested with all necessary and appropriate powers not inconsistent with the Constitution of the United States or either state (New York or New Jersey) to effectuate the same, except the power to levy taxes or assessments."

And Article VI of the Treaty reads:

> The Port Authority shall constitute a body, both corporate and politic, with full power and authority to purchase, construct, lease and/or operate any terminal or transportation facility within said district, and to make charges for the use thereof, and for any of such purposes to own, hold, lease and/or operate real or personal property, to borrow money and secure the same by bonds or mortgages upon any property held or to be held by it.

It would seem from the foregoing that the Port Authority lacks none of the powers necessary to put its plans into effect, only insofar as they are "economically practicable." The intention of the Port Authority, as described to the writer, therefore, to issue bonds in order to finance its construction work, to charge for the use of its facilities an amount sufficient to sustain such financial obligations as it may have to assume, and to apply any accruals of excess earnings either to improvement

of service rendered or to reduction in the cost of the service, or both, might appear to be wholly practicable.

Opposition to this view—or rather some doubt as to its entire accuracy—was provided at concurrent hearings by the Port of New York Authority and the Interstate Commerce Commission held in New York early in April, last, when, as stated before, Mr. Robert J. Cary, chairman of a committee of railroad attorneys, and himself general counsel of the New York Central Railroad, outlined the case of the railroads in the matter. In effect, Mr. Cary contended that the Port of New York Authority is not a quasi-judicial body, that it does not possess and therefore cannot exercise the powers it claims, that it is, in fact, merely a transportation corporation "in embryo," and that it has no power to enforce any decree that it may make. Furthermore, Mr. Cary added, the Port Authority project calls for an understanding "which, perhaps, under the present limitations of law, may be regarded as somewhat utopian, namely, the amalgamation into a common ownership of all terminal railroad properties located in the Port Authority territory."

Can They Finance It?

Mr. Cary also took occasion to question the Port Authority's ability (aside from its legal right) to finance its comprehensive plan without the imposition of special taxes upon the people. Offering the figures quoted above as an estimate of the possible expenditures involved, Mr. Cary asked, "By what process of legerdemain will the principle of this unprecedented sum be found without expense to the people? The answer is offered that every Port Authority project will exact tolls sufficient to pay its way and that the carriers will save enough from the economical methods of their reformed operations to satisfy them in full with no increase in cost. In the presence of such an assertion, credulity is overtaxed, and the railroad companies which must eventually be the agents for collecting from the people the tolls which the Port Authority proposes to exact to make possible the functioning of its billion dollar scheme, will never be charged as obstructionists by refusing to become willing participants until the promoters have supported prediction with analytical and conclusive proof."

Chairman Outerbridge, of the Port Authority commission, has taken exception to Mr. Cary's remarks as quoted above, especially the expression "billion-dollar scheme," and in answer to his objections, the railroad expert's estimate was qualified in some measure.

It nevertheless appears on the surface not only that the Port Authority has still a long way to go before it can perfectly define its authority to act, but also that some of the co-operation and accord essential to the successful prosecution of its plans is still to be secured.